The Business Advocate Magazine

Nation's Business®

A U.S. Chamber of Commerce Publication

July 1983 • $2.25



How They Built The No.1 U.S. Small Business

Labor Violence

Banks Cross State Lines

White-Collar Moonlighting

07
0 25307 11783

Warning: The Surgeon General Has Determined That Cigarette Smoking Is Dangerous to Your Health.

SOFT PACK 100's FILTER, MENTHOL: 2 mg. "tar", 0.2 mg. nicotine av. per cigarette by FTC method.

Competitive tar levels reflect either the Dec. '81 FTC Report or FTC method.

NOW. THE LOWEST OF ALL BRANDS.



Now for the good news.



2 mg

NOW

THE LOWEST

CONFIRMED BY THE LATEST U.S. GOV'T. REPORT ON TAR

What does it take to make a winner?



Everyone loves a winner, naturally. And why not? After all, virtually everyone has the potential to become a winner, to achieve higher goals in life. All it takes is to recognize more of our unused capabilities, then develop them into practical, workable skills and abilities that we can use to move us further in the direction we want to go. The Dale Carnegie Course helps thousands of men and women each year to discover and develop more of their true potential. It prepares them to stretch beyond their previous limits and go forward to reach more rewarding goals. It helps them to build a stronger foundation of confidence in themselves and their abilities. It inspires them with keener enthusiasm, greater drive, the positive attitudes and outlook that can spur them on to greater success in whatever they do. Find out how the Dale Carnegie Course can help you go the distance and gain the rewards of greater personal achievement. Call **toll-free (800) 231-5800.** In Texas, call **(800) 392-2424.** Or write directly to the address below.

DC *DALE CARNEGIE & ASSOCIATES, INC.*

SUITE 873 NB • 7047 REGENCY SQUARE BLVD. • HOUSTON, TEXAS 77036

Head of the class.

The Bell Yellow Pages is the #1 business reference book.* Business people read it every working day because what they learn helps them stay on top.

In many metropolitan areas there's another book to learn from: the Business to Business Bell Yellow Pages. It contains all the businesses other businesses need.

Get the Yellow Pages talking. **Let your fingers do the walking.**



*Burke Market Research Survey of 5,000 businesses, April, 1980.

Nation's Business®

July 1983
Vol. 71, No. 7



PHOTO: DAVID VALDEZ

Cover Story 22
Other entrepreneurs can learn from a father-and-son team's experiences in marketing Mexican food products.

Crisis in Our Schools 5
Business people, says James J. Kilpatrick, must act to stem the rising tides of educational mediocrity.

Balance on Labor Board 26
With Reagan appointees in the majority on the National Labor Relations Board, there are signs of a historic shift from what business people have seen as a pro-union tilt.

Unions and Wage Earners 28
NLRB Chairman Donald Dotson, a one-time union member, rates poorly with some unions because of actions he thought were in wage earners' behalf.

PHOTO: GARY KEPPER



Capitol Hill in a Hole 30
Congress just doesn't seem to be able to cope anymore. Will better management solve the problem? The answer is important to business planning.

Fired Up Over Coal 34
Once a stepchild, coal is playing a growing role in the U.S. economy. It has its problems, but experts say coal's share of our fuel consumption could double by the year 2000.

The Slurry Flurry 36
Controversy over slurry pipelines to carry coal has pitted giant industries against each other, with billions of dollars at stake.

How To Foil Employe Crime 38
Inside thefts can destroy a business, and they often do. There is no mystery about what to do to prevent them.

Farm Suppliers' Lament 40
The Payment-in-Kind program, under which 82 million acres of cropland have been idled, has not been kind to businesses that sell to farmers.

PHOTO: DAVID VALDEZ



Growth for Minority Firms 44
A federal agency with a new emphasis on private sector involvement is trying to help minority businesses get information and resources they need.

Small Business Outlook 46
The Heller/Roper Small Business Barometer shows that chief executive officers see recovery. But there is doubt about the recovery's strength.

Arms Market Opens 49
The export climate for American-made arms, cloudy under the Carter administration, is sunny under Reagan.

PHOTO: DAVID VALDEZ



Rise of Moonlighting 52
More white-collar workers are taking second jobs. In addition to extra money, they gain valuable experience.

Export Support 54
Exports of services are increasingly important, but many of the exporters say government should be more helpful.

Home Buyers' Bonds 55
A drive is on to save a tax-exempt bond program through which 690,000 home purchases have been financed.



PHOTO: BUCK MILLER

Interstate Banking 58
Banks are spreading out across state lines. Should they be permitted to branch out across the lines, too?

Striking at Labor Violence 62
Business wants Congress to undo judicial hobbling of the Hobbs Act's curbs on violence in labor disputes.

Saving Your Business 65
Nine pitfalls that lead to failure for an enterprise, together with advice on how they can be avoided.

Successful Debt Collector 67
Daniel Silver collects from business debtors when others can't. He knows whom to pursue and whom not to.

Congressional Alert 71
Major legislative issues that could affect your business and how to make your views about them known.

Departments

Washington Letter	7
Letters	10
For Your Tax File	13
Outlook	16
To Your Health	56
Where I Stand	64
People in Business	69
Editorials	72

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440.

Copyright © 1983 by the Chamber of Commerce of the United States. All rights reserved.

Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46; and in combination with *Washington Report*, the business advocate newspaper, one year, $50; two years, $85; three years, $99. Printed in U.S.A. Controlled circulation postage paid at Washington, D.C., and additional mailing offices. *Postmaster:* Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20795.



Walter E. Heller & Company, 105 W. Adams St., Chicago, IL 60603 • Other Heller offices in: New York • Boston • Philadelphia • Montclair, NJ • Baltimore Syracuse • Minneapolis • Detroit • Cleveland • Cincinnati • Kansas City • Atlanta • Miami • Tampa • Birmingham • Houston • Dallas • San Antonio Albuquerque • New Orleans • Phoenix • Tucson • Boise • Salt Lake City • Los Angeles • Newport Beach, CA • San Francisco • Seattle • Portland • Spokane San Juan, PR. Heller services also available in Canada and 23 other countries around the world.

BY JAMES J. KILPATRICK

The Crisis in Our Schools

LET ME SPEAK for a moment about a word that regrettably is much loved by young editorial writers and wisely is shunned by those of us who have been a long time in the business. The word is "crisis." I cannot recall the last time I described any situation as a crisis, but I use the word with great deliberation here. I am talking about our public schools and our present peril.

This is how "crisis" is defined: It is "an unstable or crucial time or state of affairs whose outcome will make a decisive difference for better or worse." Last month the National Commission on Excellence in Education delivered its report to the President. "Our nation is at risk," said the commission, and it explained why: "The educational foundations of our society are presently being eroded by a rising tide of mediocrity that threatens our very future as a nation and a people."

In unusually blunt language, the commission provided a bill of particulars. International comparisons of student achievement reveal that on 19 academic tests American students were never first or second; indeed, they were last seven times.

Some 23 million American adults are functionally illiterate "by the simplest tests of everyday reading, writing and comprehension." The average achievement of high school students on most standardized tests is now lower than it was 26 years ago, when Sputnik was launched. Business and military leaders complain that they are required to spend millions of dollars on remedial education in the basic skills.

What has caused this deterioration?

One explanation lies in the changing role of women in our society. The best and brightest young women once went into teaching because the schools offered one of the few employment opportunities open to them; this no longer is true.

Changing theories of education have made their lamentable contribution. The lure of television has drawn children away from books. School boards and state legislatures have yielded to pressure groups, with the result that the schools are burdened with driver education, sex education, drug education and a little of everything else.

At the secondary level, "we have a cafeteria-style curriculum in which the appetizers and desserts can easily be mistaken for the main courses."

In other industrialized nations, most notably in Japan, children go to school six days a week; their school year runs 210 to 220 days; the children start such tough courses as biology, chemistry and physics in the sixth grade, and all pupils are required to take them.

By contrast, our schools typically operate for only 175 to 180 days. Two thirds of our high school seniors report less than one hour of homework a night. Thirty-five states require only one year of math and only one year of science for a diploma.

Some of our school systems are blessed with first-rate teachers, but far too many teachers are poorly qualified for the subjects they teach. This is not necessarily their fault. To be state-certified, a teacher must complete a course of study heavily weighted with "methodology." Typically, 41 percent of the time of persons studying to be elementary school teachers is spent in education courses at the expense of courses in subjects to be taught.



The business people of this country will have to provide leadership.

"History is not kind to idlers," says the commission's report—and that is exactly what our schools are producing. The question is, what do we propose to do about it? How do we stop the erosion? How do we reverse these rising tides of mediocrity?

If we are to lengthen the school year and if our schools are to attract and hold better teachers, more money will be required—but more money is not the only answer or even the first answer. The job will take leadership, and I can tell you where that leadership must be found: Out of sheer self-interest, if for no other reason, the business people of this country will have to provide it.

I know—because I often speak to the annual meetings of state and local chambers—that many chambers of commerce already are active in the field of public education, but my impression is that most chambers are not doing nearly enough.

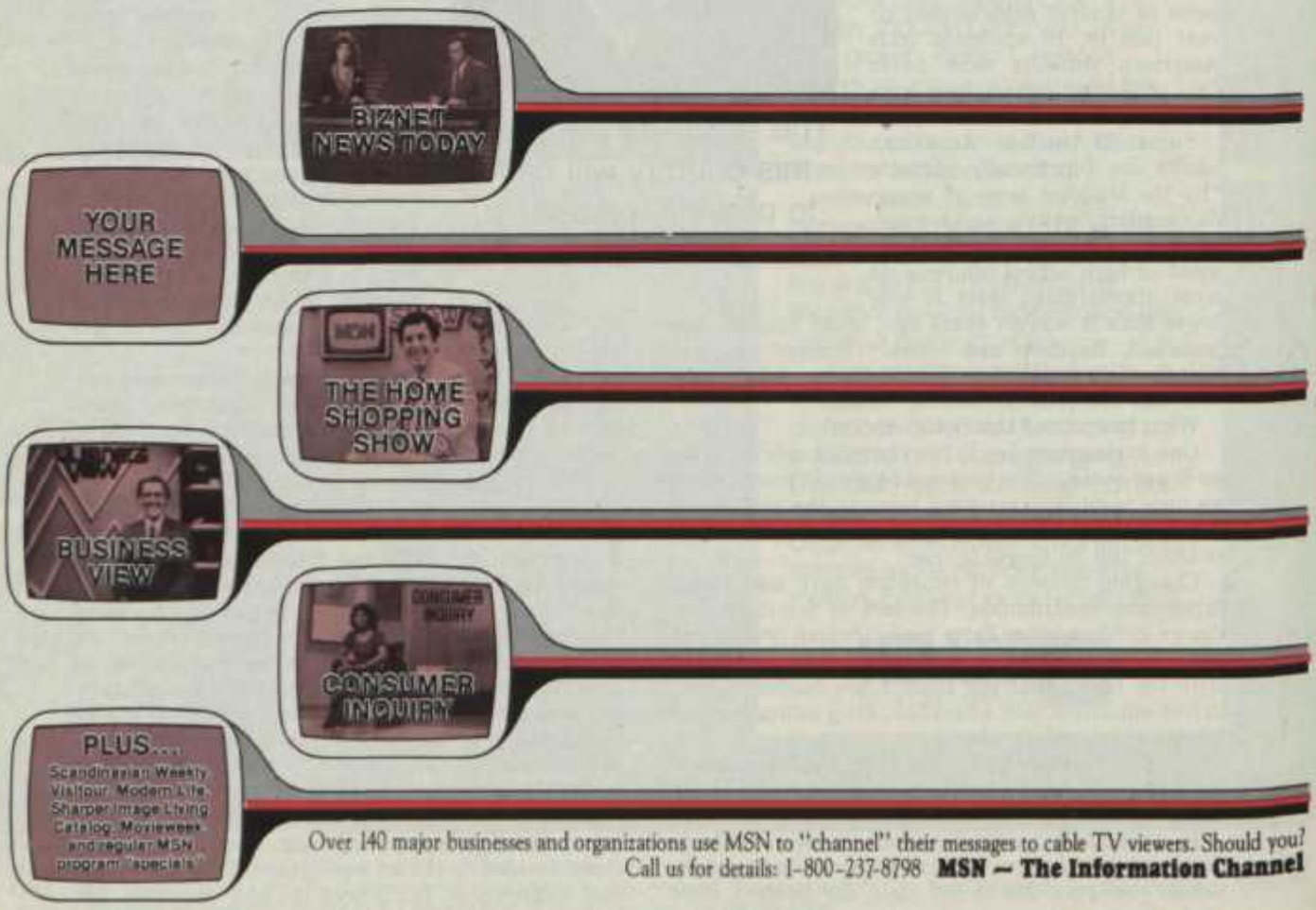
IT WILL TAKE political clout, for one example, to overcome the National Education Association's opposition to merit pay along the lines proposed by Gov. Lamar Alexander in Tennessee. The educational establishment is certain to fiercely resist the changes that must be made in the certification of teachers. A restoration of learning is not a venture, like a new airport or an industrial park, that can be completed in a year or so. This will take time and persistence.

The stakes are high. If the United States is to retain the slim competitive edge we still have in some international markets, we must create a citizenry characterized by skilled intelligence. This is the crisis that confronts us. It has been too long neglected, and it must be neglected no longer. □

MSN

America's Information Channel.

We reach over 8,000,000 cable TV households with a full spectrum of informational programs — and a full range of advertising and communications opportunities for you. Conventional :30 and :60 commercial spots. "Infomercial" segments on our nationally-acclaimed "The Home Shopping Show." Interview opportunities. Long-form advertising. Program sponsorships. And program environments that are most conducive to your message.



Over 140 major businesses and organizations use MSN to "channel" their messages to cable TV viewers. Should you? Call us for details: 1-800-237-8798 **MSN — The Information Channel**

WASHINGTON LETTER

▶ THIRD-STAGE TAX CUT taking effect this month will have stronger economic impact than predecessors, economists report. Final round of Reagan program's tax relief comes when economy has begun surging under pressure from consumer spending. And 10 percent cut in individual income tax rates July 1 will increase disposable income by $30 billion at time when jobless rate has eased from recession high. Economic benefits of earlier tax relief were blunted, economists say, because they came when growing unemployment created hostile climate for higher consumer spending.

▶ IMPROVEMENT IN CONSUMER OUTLOOK is documented in survey showing increase in number of individuals who feel this is good time to buy major items for the home. Poll by Gallup Organization and Survey Research Center of U.S. Chamber of Commerce shows 37 percent now think it's favorable time to buy, compared with 26 percent last fall. Percentage of those who think it's bad time has fallen from 51 to 38. Another key finding: Percentage of those who think income gains will be wiped out by inflation has dropped from high of 61 in 1981 to 39 now. Although only 25 percent thought pay would at least stay even with inflation in 1981, that figure is up to 38 percent.

▶ OPTIMISM ON RECOVERY extends to corporate profits. Analysts at Morgan Guaranty Trust predict pretax corporate profits will be up 30 percent this year over 1982. And that figure was arrived at with more conservative method than used in calculating publicly reported earnings. It excludes inflation from inventory profits, uses replacement cost for figuring depreciation.

▶ IF SUCH FORECASTS prove accurate, economic benefits could be widespread. Harris Bank of Chicago says stock prices are still "fairly low relative to future profitability" if 30 percent profit gain materializes. And healthy profits would reduce business demands on capital markets, easing public-private borrowing competition feared as source of pressure on interest rates.

▶ SLIGHT DROP IN PERCENTAGE of American families affected by crimes is result of statistical quirk, and basic problem is essentially unchanged. Justice Department says 25 million households were affected by crime last year--a 1 percent drop from 1981 and 3 percent from 1975. But only change was in category of thefts from household members while away from home. Figures for more serious crimes--rape, assault, robbery, break-ins, etc.--"did not fluctuate greatly between 1975 and 1982 and showed no discernible trend," the department points out.

▶ SUPPORTERS OF PATENT TERM Restoration Act have introduced modified measure designed to meet objections that led to earlier bill's death in House committee. Basic proposal would extend up to seven years life of patents on products, processes and uses to compensate for any marketing delays caused by federal regulatory reviews. New version would be limited to patents in areas subject to Food, Drug and Cosmetics Act, Toxic Substances Control Act and pesticide laws, which is change from last year's broader version.

▶ COMPUTER AND BUSINESS EQUIPMENT Manufacturers Association launches major drive to retain research and development

tax credit now scheduled to expire in 2½ years. Provision of 1981 tax-relief law allows 25 percent credit on R&D spending above average annual amount of three preceding years. Affects R&D outlays from June 30, 1981, to Dec. 31, 1985. Equipment manufacturers group tells Congress credit is "important cash-flow source of funding for R&D projects" because it lowers effective tax rates of high-technology firms. Organization asks permanent credit.

▶ COMPLEX, HIGHLY COMPETITIVE WORLD of petrochemicals will become even more so with stepped-up participation by members of Organization of Petroleum Exporting Countries, according to a business research firm. "Access to cheap feedstocks and sufficient capital resources have prompted several OPEC leaders to gear up for large-scale petrochemical industries," says Predicasts, Inc., which is based in Cleveland. Industry is now dominated by industrialized countries of North America and Western Europe, plus Japan, all with capital, technology and marketing resources needed.

▶ KEY DEMOCRATS continue to seek ways to bring Federal Reserve Board under congressional control. One bill would make Fed accountable to Congress on interest rate levels. Prospects for passage extremely slim in view of Reagan renomination of Paul Volcker as board chairman. Volcker has aggressively defended board's independence, undoubtedly retains sufficient bipartisan support to fend off further attacks on Fed jurisdiction.

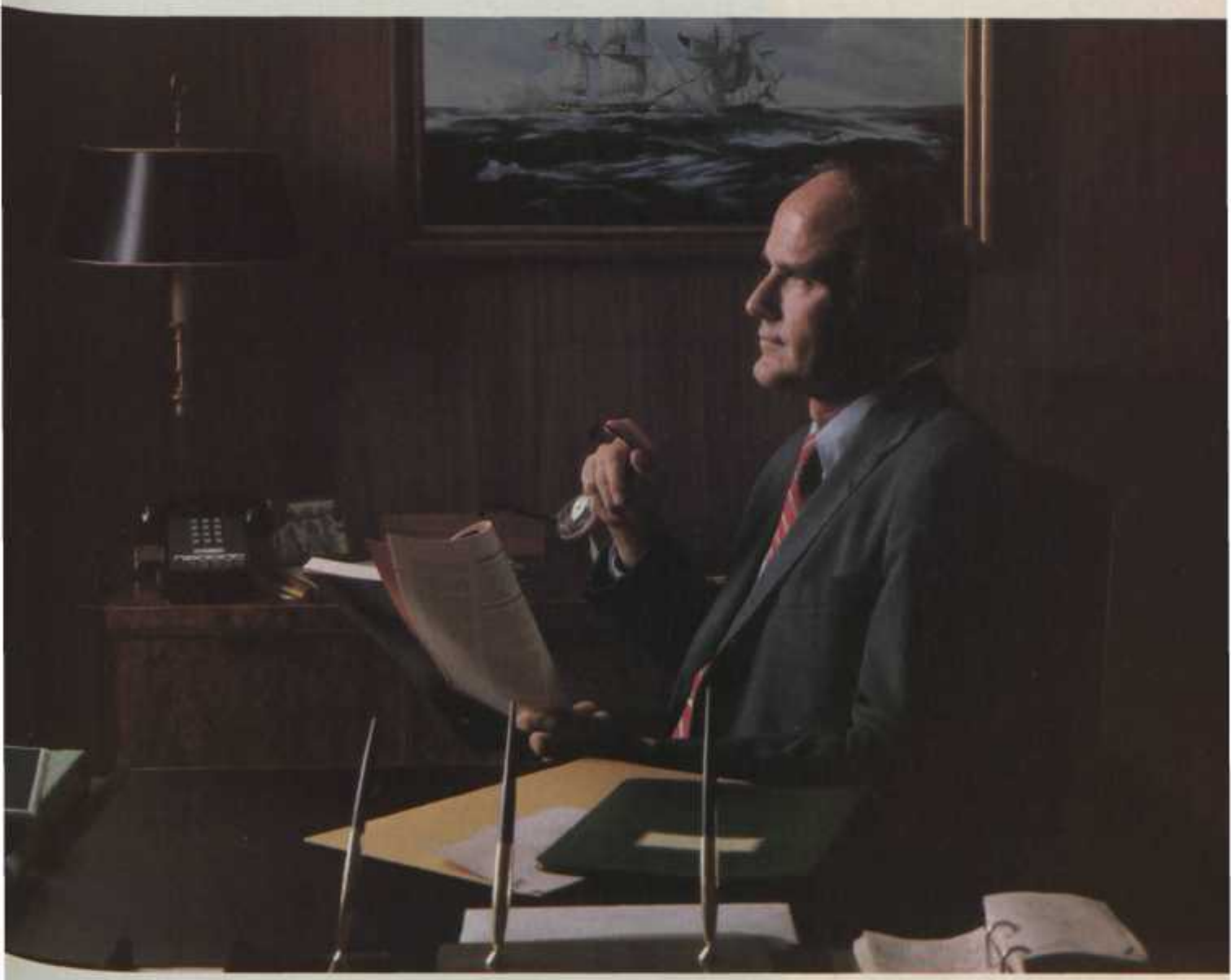
▶ CONSUMER PRICE INDEX is the most widely used measure of inflation, but a standard developed by major accounting firm might catch on also. Laventhol & Horwath is using Variety's list of the biggest movie moneymakers as an object lesson on impact of the price spiral. Variety listed "Star Wars" (1977) as the all-time biggest financial success, at $193.5 million in film rentals, and ranked the classic "Gone With The Wind" (1939) in 13th place, with $76.7 million. But if the dollars are adjusted to current value, the Civil War epic stands unchallenged in first place at $321.6 million, and "Star Wars" drops to a distant second, with $272 million.

▶ SMALL BUSINESS ADMINISTRATION rejects recommendations from General Accounting Office for eliminating new program that gives private lenders more authority in evaluating creditworthiness of applicants for guaranteed loans. SBA traditionally had done credit analyses itself, triggering complaints of excessive paper work and delay. Under Certified Lenders Program, designated banks do all preliminary work, and SBA has only three working days to rule. GAO complained, among other things, that lenders were sending in incomplete or unreliable credit reports. SBA stands by program, says it will show lenders how to do better job on analyses.

▶ BUSINESS WELCOMES U.S. Supreme Court decision restricting right of National Labor Relations Board to order party in labor dispute to stay out of state courts. Owner of Arizona restaurant had filed libel suit against employes who accused him of mistreating women workers by firing women who tried to organize union. High Court held state court suit did not constitute unfair labor practice, as alleged by NLRB. Stephen A. Bokat, director of litigation for National Chamber Litigation Center, says ruling "tells employers they don't have to be at the mercy of employes who libel their business and disrupt normal operations."

▶ HOUSE OF REPRESENTATIVES balks at eliminating jobs of what are probably its most expendable employes--automatic-elevator operators. The 14 in House office buildings draw combined wages of $169,000 a year. "It's kind of tough to explain back home," says Rep. Dan Lundgren (R-Calif.). Rep. Hank Brown (R-Colo.) told House that abolishing the positions would show determination to "eliminate waste and abuse in our own operation." But House refused, 193 to 101, to delete funds. Senate got rid of automatic-elevator operators in its office buildings a year ago.

Quality people produce quality work.



First National Bank
OF MARYLAND

The bank worth knowing.

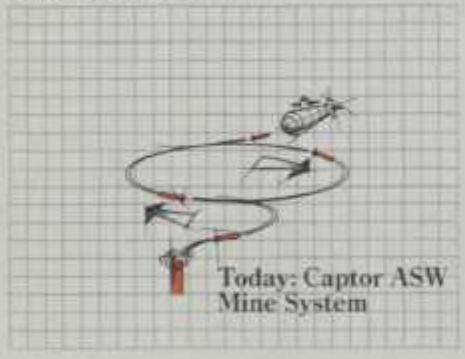
Member FDIC / Federal Reserve System

Greater Washington Regional Headquarters: 1 Bank Street, Gaithersburg, Maryland 20877. 301-840-3800.
Washington Office: International Club Building, Suite 520, 1800 K Street N.W., Washington, D.C. 20006, 202-659-5970.

WASH/E/1

MISSION: SEA CONTROL
ANTI-SUBMARINE SYST

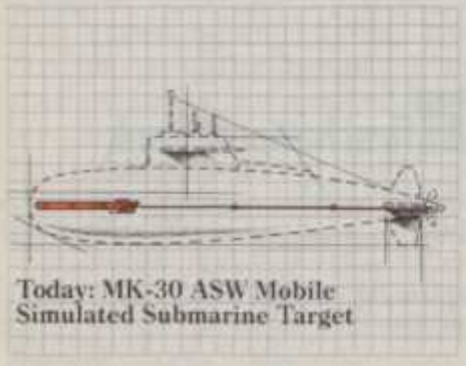
Goodyear Aerospace has had prime contractor responsibility, working with the U.S. Navy and its laboratories, for a number of existing projects and has the advanced capabilities required to perform on similar projects into the future.



Today: Captor ASW Mine System

ADVANCED MINE CONCEPTS:

- Configured Minefield Theory
- All Passive Digital Signal Processing
- Advanced Correlation Technique

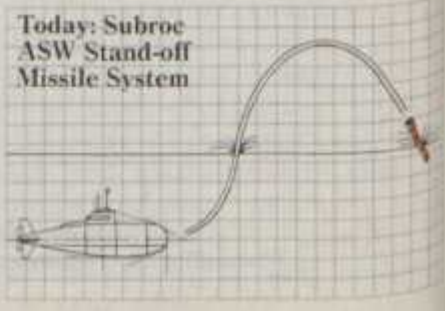


Today: MK-30 ASW Mobile Simulated Submarine Target



ADVANCED TARGET CONCEPTS:

- High-Speed Imbedded Microcomputers
- Real-Time System Simulation
- Finite Element Analyses



Today: Subroc ASW Stand-off Missile System

EMS BY GOODYEAR



Goodyear Aerospace has a corporate commitment of capital investment, to assure success in the years ahead.



Today: In-water Acoustic Test Facility

NEW INVESTMENTS SUPPORTING IMPROVED PRODUCTIVITY OBJECTIVES

- Modern In-Water Acoustic Test Facility
- Interactive CAD/CAM and Automated Logic Design Facility
- Automatic Incoming Integrated Circuit Testing and Screening Facility
- Automatic EMI/RFI Test Facility
- Large Centralized Computer Facility

ADVANCED MISSILE CONCEPTS:

- Advanced Application of Strapdown Digital Guidance
- Improved Propulsion
- Integration into Modern Fire Control Systems

GOODYEAR AEROSPACE

WASH/E/3

Business and Pleasure United.

INTRODUCING UNIQUELY UNITED SERVICE TO TOKYO AND HONG KONG.



Comfortable eight-abreast seating.

United's brand-new international Business Class. It makes business travel to the Far East a real pleasure. With complimentary First Class upgrade on all connecting United flights in the U.S. And priority baggage handling at gateway airports. To the Far East, we seat you comfortably eight abreast—in our state-of-the-art domestic First Class seat. We give you complimentary use of headphones. An audio and motion picture program exclusive to United. Complimentary beverage service. Gourmet hors d'oeuvres. And a tempting choice of entrée. That's United's international Business Class.

Royal Pacific Service for the businessperson. All new and uniquely United.



ROYAL PACIFIC SERVICE

UNITED AIRLINES

WASH/E/L

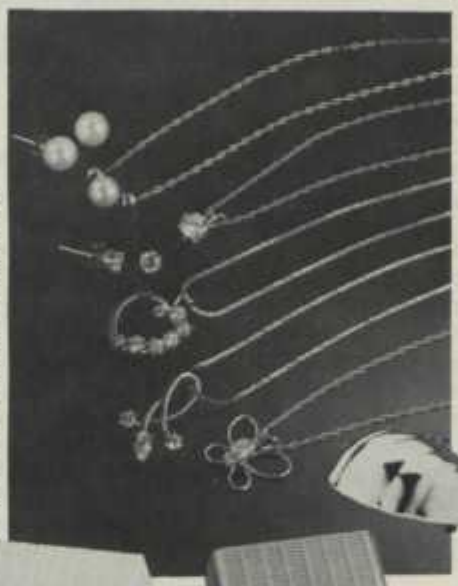
AMWAY AMAGIFT®
GIFT ALBUMS



A PLEASURE TO RECEIVE AND SO EASY TO GIVE.

The ideal solution for all your gift-giving needs is Amagift Albums from Amway!

They're such a pleasure to receive because the recipients select their own gifts. And they're so easy to give because you're not spending your time shopping!







©1981 Amway Corp., Ada, MI U.S.A. All rights reserved.

Here's How The Amagift Program Works.

Amagift Albums are available in twelve price categories, ranging from $9.99 to $100.00 per Album*. This variety gives you the freedom to choose the appropriately priced album for each person on your list and puts you in control of your gift-giving budget. Each album features more than 40 desirable, name-brand gifts, all nicely described and photographed in full-color.









*Suggested retail prices.

Amagift Album recipients simply select their gift, then mail an attached post-paid certificate to Amway. Every gift is guaranteed to arrive as ordered, in perfect condition, or a replacement is immediately sent.

To discover how convenient an Amagift program can be for you, contact your local Amway distributor. If you need help in locating one, call toll-free 1 800 253-4463 (except in Hawaii and Alaska, write from there). Michigan residents dial 1 800 632-8723. Amway Corporation, Ada, Michigan 49355.

Amway®
SHOP WITHOUT GOING SHOPPING

Get the Whole Story

What You Didn't Know About Employee Benefits

The new edition of Employee Benefits, published by the U.S. Chamber of Commerce, shows an increase in total benefits costs to 37.3 percent of payroll . . . a total of $485 billion. In addition to reporting data from almost 1,000 companies nationwide, the current report also traces the growth of employee benefits in an identical group of 175 companies over a 20-year period. The annual survey enables a company to compute the cost of its own benefits and compare them with those of other companies. With 36 pages, including 22 tables and 4 charts, the report (#6601) is only $7.00 a copy (discount on order of 10 or more). Send your order to P.O. Box 114, Kensington, Md. 20795. (Make checks payable to U.S. Chamber of Commerce. Please add appropriate sales tax for deliveries in D.C. and California.)

Low cost digital time recorder has solid state program timer

Lathem Model DWA-4000 stamps time cards; rings bells to start/stop work periods. Digital display; built-in battery holds program during AC power loss.



For FAST information PHONE TOLL FREE
1-800/241-4990
In California, call 1-800/352-4314
(In Georgia, call collect 404/691-0400)
or write without obligation.
LATHEM TIME RECORDER COMPANY
174 Selig Dr., S.W., Atlanta, GA 30378

Lathem®
TIME RECORDERS
PROGRAM TIMERS
TIME STAMPS
WATCHMAN CLOCKS
WALL CLOCKS

Hospital Cost Shifting

"Price Ceilings That Could Raise Employers' Costs" [June] is misleading with respect to the reimbursement received by hospitals from the federal government.

The article states: "Since Medicare's enactment 15 years ago, hospitals have billed the federal government on the basis of their own fee schedules." This implies that hospitals have been paid charges by the federal government. Nothing is further from the truth. Hospitals are paid costs by the federal government and these costs are defined in very explicit terms.

Hospitals across the country are as concerned about cost shifting as are the nation's employers. The new system continues to force hospitals to ask non-federal patients to pay for costs not covered by the federal government. Through mutual efforts and the active involvement of business leaders on hospital boards, we hope the problem can be resolved.

F.F. CHRISTENSEN, JR.
Assistant Administrator for Finance
Franciscan Medical Center
Rock Island, Ill.

Health care financing is a many-piece puzzle. Your article was an excellent overview of the dilemmas facing the administration, Congress and employers regardless of which decision is adopted.

BARBARA KRATCHMAN
Arlington, Va.

The article incorrectly states: "Under the present Medicare system, hospitals are paid on a cost-plus basis for whatever care they deliver; the more tests and similar procedures, the more money they receive." Medicare does not pay on a cost-plus basis. Following the close of a hospital's fiscal year, an audit is undertaken to determine the costs for operation of the hospital for the prior year. Medicare then pays costs at the same ratio as the ratio of charges for Medicare patients to charges for patients without Medicare benefits.

Prospective payment is really the same as the system that existed before Medicare. Hospitals would bill for their services and then would discount to city, county or state agencies for care received by welfare recipients. Under the new plan of payment one can be sure that the amount paid by the government will ultimately be less than the cost.

STEVE BRASE
Lincoln, Nebr.

Send letters to Editor, NATION'S BUSINESS, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

Congress cowers at taxes

Re: "Repeal Indexing of Income Taxes?" [Where I Stand, May; see page 64, this issue].

Certain bleeding hearts in Congress keep railing about President Reagan's taking advantage of the elderly, the poor and the needy. Yet there is not a word from them about what income tax indexing would do to help these same groups.

What indexing really means is that those members of Congress who are critical of Reagan's tax policies will have to come up with their own tax increase proposals. Up to now, they have have been able to skirt the issue because bracket creep has done the job for them.

GERALD Q. MALLOY
Holiday, Fla.

To stop the criminal drain of investment capital, we must find a way to curb the constantly increasing rate of income taxation. If Congress had to vote for income taxation, there would be a substantially lower rate of increase—or you can bet there would be a lot of new faces in Congress.

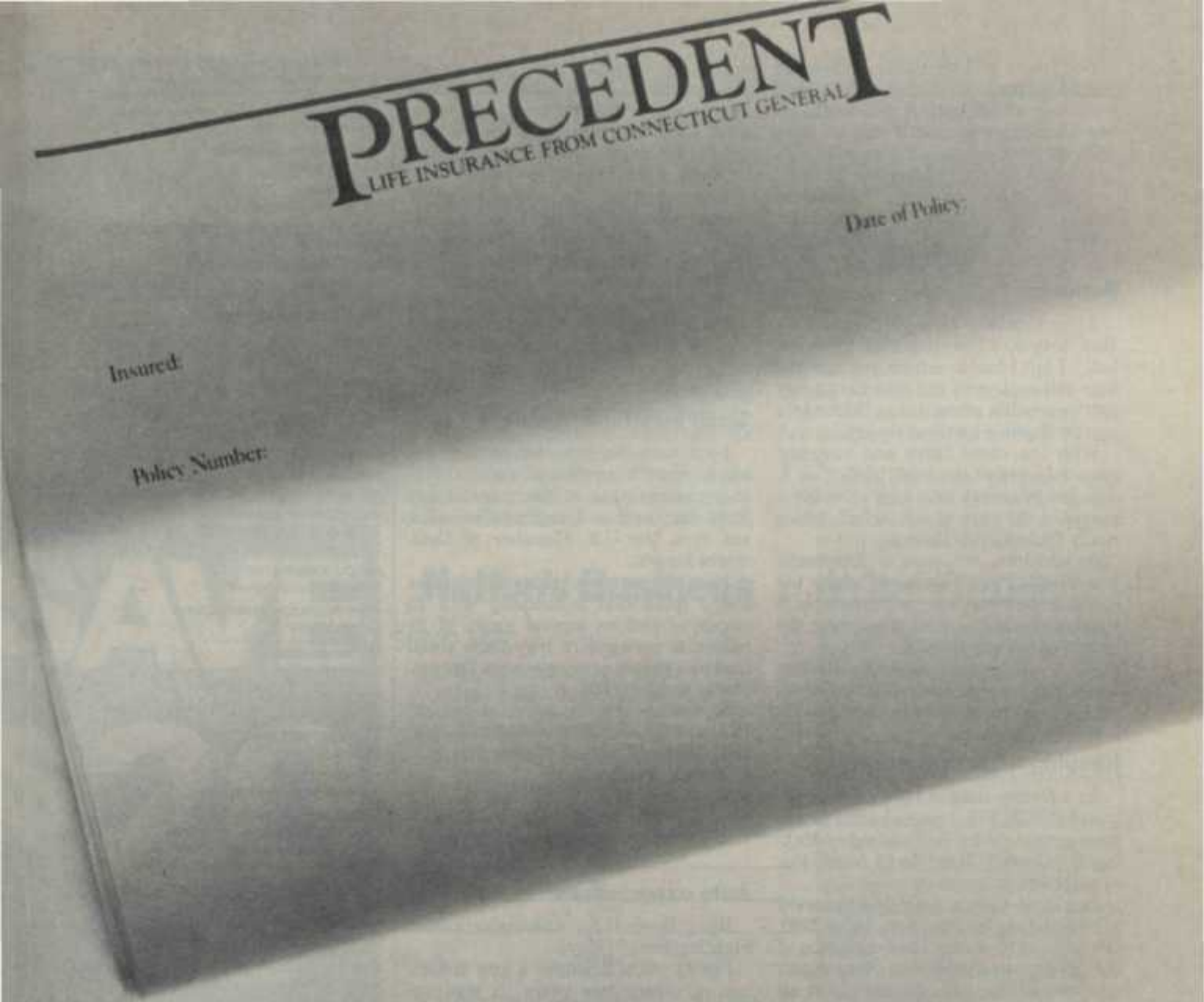
DONALD L. DORWARD
Washington, Ill.

No deal on trade zones

Re: "DISCs: A Big Issue for Small Exporters" [Outlook, June].

It is not practical for a small business to locate its export manufacturing in a foreign trade zone. How would a small business in northwestern Minnesota be able to locate part of its export business in a foreign trade zone in the Twin Cities 400 miles away? It's not worth the extra expense to even bother with exports if that's the way the game has to be played.

May I suggest another alternative: The federal government should get some backbone and tell the foreign nations that as long as we have a trade



NO OTHER POLICY OFFERS THIS MUCH.

Because no other policy assumes so little.

Our Precedent policy not only lets you set your own premium and benefit. It lets you specify how that benefit will be provided. Because it lets you put together a flexible combination of interest accruing, permanent insurance. And low cost, pure protection.

But Precedent's flexibility isn't just in its design.

It offers innovative, tax-efficient ways to take advantage of your policy's growing cash value.

If you're in the upper income brackets, Precedent offers the kinds of flexibility your complex affairs require.

So for more information call one of our sales representatives. Or write to Sam Bromage, Connecticut General Life Insurance Company, Hartford, CT 06152.

Precedent offers so many options for managing your money, the only way not to benefit from it is to turn the page.

Connecticut General Life Insurance Company
a CIGNA company

CIGNA

deficit, there will be DISCs. When the United States has no trade deficit, then we'll talk about putting handcuffs on our businesses so that it will be more difficult for them to sell overseas.

LLOYD G. CHERNE
President
Cherne Industries, Inc.
Minneapolis

Batter up

After finishing James J. Kilpatrick's May article, "The Beauties of Baseball," I felt I had to inform you how the four-ball-walk rule fits into the theory that baseball's attraction is linked to a mystic divisible-by-three theory.

With the count three and two, the runner is out at the next pitch (No. 6, divisible by three), gets a hit or walks—except in the case of a foul ball, which really fouls up this theory.

As children, we used a four-fouls-you-are-out rule. This could make the count three, two, three, with pitch No. 9 retiring the batter, and preserving the divisible-by-three theory.

CLAY R. RUNSHE
Tindell & Associates
Indianapolis

Keeping track of trains

As a former federal railroad administrator (1977-1980), I was pleased to see your article "Why Railroads Are Making the Grade" [May], but I would like to point out an omission.

President Carter actively supported efforts to pass the Staggers Act of 1980. His decision to change the complexion of the Interstate Commerce Commission was one of the keys to making it all happen.

JOHN M. SULLIVAN
Haug Die Casting, Inc.
Oreland, Pa.

The recent federal tax increase slammed on the trucking industry shows that the railroad industry is loaded for bear when it comes to using political means to create anticompetitive policies. This same railroad hammer has now moved to California, which has introduced a ton-mile tax.

In the end, the consumer will pay the price for more expensive transportation.

SCOTT M. STEWARD
Secretary-Treasurer
Auto Purchasing Agency, Inc.
Los Angeles

The male minority ?

I hope your readers were not misled by "Comparable Worth: Thorny Wage Issue" [June] into thinking that advocates of fair pay for women actually recommend one single nationwide job evaluation system for all employes. Compensation specialists agree that no single pay schedule could possibly apply to all firms. Instead, each employer should use a uniform and sex-neutral evaluation program that fits its own unique external competitive market and internal value system.

Remember that it may not be easy or inexpensive, but it is right. And women have the voting power to force their own concept of pay equity on us men—in this case, males are the minority.

E. JAMES BRENNAN
President
Brennan, Thomsen Associates
Chesterfield, Mo.

Small by whose standard ?

I am sure the government does not know what a small business is. Nor does the chairman of the board of any large corporation. I really believe that not even the U.S. Chamber of Commerce knows.

I am the owner of a small business and I think that a company with 75 employes and an annual gross of $1 million is pretty darn big. Many small business people are happy with five employes and $400,000.

So how about a few more categories? Perhaps these: 0 to $500,000, Us; $500,000 to $2 million, Them; and over $2 million, Fantastic.

L.O. SPENCE
Central Electric
Chehalis, Wash.

Auto expectations

Re: "How U.S. Automakers Are Fighting Back" [May].

For 31 years I bought a new American car every two years. It was unthinkable to me that anyone would buy a foreign car—that is, until American automakers began making inferior cars and pricing them out of the market.

Though you listed the principal components of "the biggest industrial revolution in world history," you omitted a cure for today's planned obsolescence. In the present economy, Americans are willing to drive a car an extra year or two if it will just hold together that long.

ROSEMARY GLASS
Plantation, Fla.

Corporate citizens

Re: "Force Employers To Be Immigration Police?" [Where I Stand, May; see page 64, this issue].

Our corporations are good solid citizens of this country. They are necessary, important and respected. Why should they not help in fighting illegalities just as other patriotic citizens do?

We all need to pull together to keep illegal immigrants out of the United States.

JOHN T. HARRIS
Monaca, Pa.

The Chamber of Commerce of the United States, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

CHAIRMAN OF THE BOARD
Edwin D. Dodd

PRESIDENT
Dr. Richard L. Lesher

GROUP VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant

VICE PRESIDENT/PUBLISHING
David A. Roe

Nation's Business

EDITOR
Robert T. Gray

MANAGING EDITOR
Henry Altman

SENIOR EDITORS
Seth Kantor, Henry Eason, Sharon Nelton, Peter A. Holmes

ASSOCIATE EDITORS
Michael Barrier, Mary-Margaret Wantuck

CONTRIBUTING EDITORS
James J. Kilpatrick, Del Marth, Bob Gatty, Gerald W. Padwe

PRODUCTION EDITOR
Sharon Hockman Ames

COPY/PRODUCTION ASSISTANT
Hanne Caraher

EDITOR EMERITUS
Grover Heiman

ART DIRECTOR
Hans A. Baum

ASSISTANT ART DIRECTOR
Richard C. Freund

ART ASSOCIATES
Lauren S. McDougal, Richard A. Fletcher

PHOTO DEPARTMENT
David Welsh Wooddell, photo editor; David Valdez, chief photographer; Gary L. Kieffer, associate photographer; Frances Borchardt, librarian

PRODUCTION
Harry N. Miller, manager; Lee Ellen Westell, associate manager

ADVERTISING DIRECTOR
W. Brett Perrine
(212) 370-1440

ADVERTISING MANAGERS

Atlanta (404) 393-0140
James M. Yandle

Chicago (312) 346-3526
Herbert F. Ohmeis, Jr.

Dallas (214) 387-0404
Richard Chalkley

Dearborn (313) 336-2410
Robert H. Gotshall, Michael McNew

Los Angeles (213) 651-1466
Cathy Adler

New York (212) 370-1440
Raymond Murray, Jerry V. Camporine, Donald B. MacGillivray, Mark G. Thomas, Arthur V. Irwin, Jr., Joseph Adduci

San Francisco (415) 421-7436
Hugh Reynolds

INTERNATIONAL ADVERTISING
(202) 463-5716
El Motaz Sonbol, manager; Renuka Chander, associate manager

CIRCULATION
Judith Stachnik, director; J. Michael Craig, manager

PROMOTION DIRECTOR
Sandra Wade

RESEARCH MANAGER
Sharon Warden

BUSINESS MANAGER
Leonard I. Rippa

IRS Interest: The Long View

By Gerald W. Padwe

Starting this month, the Internal Revenue Service is charging 11 percent interest on tax deficiencies. That is the new statutory rate, down from 16 percent in the first six months of 1983 and 20 percent in 1982. IRS will pay the same rate on refunds.

The interest on deficiencies is compounded daily, and daily compounding can increase the effective rate rather quickly. For example, at the end of one year, the annual simple interest rate required to match an 11 percent daily compounded rate is 11.6 percent. At the end of three years, the equivalent simple interest rate would be 13 percent, and at the end of 10 years, 20 percent.

Taxpayers who believe the 11 percent rate is a bargain (and are tempted to delay payment of taxes) should thus think at least twice. In the short run, they probably are correct, at least if the alternative borrowing source is a bank credit card; the deficiency rate becomes less of a bargain the longer the term. The IRS rate will change again in six months—up or down—to keep pace with the prime rate.

Another point to consider: Estimated-tax penalties (individual and corporate) are also tied to the change in interest rates and, for the second half of 1983, also decrease from 16 percent to 11 percent. The good news is that the penalty rate is not compounded, but continues as a simple annual rate. The bad news is that underpayment of estimated taxes continues to result in penalties, not interest, so the 11 percent charge is nondeductible.

Subchapter S Tax Years

Prior to the 1982 Subchapter S Revision Act, taxpayers frequently formed Subchapter S corporations and adopted tax years ending January 31. Since corporate income flowed through to the shareholders' returns for the tax year in which the corporation's year ended, a Subchapter S corporation's income for a tax year ending Jan. 31, 1982, was not subject to tax until shareholders filed their individual returns on April 15, 1983 (unless, of course, estimated tax payments were required).

To avoid that deferral, Congress provided that a corporation electing S corporation status after Oct. 19, 1982, must either adopt a calendar year or receive permission from IRS to adopt a different tax year.

IRS has now stated three alternative circumstances under which it will permit an S corporation to adopt, or change to, a tax year that does not end December 31.

First, permission will be granted if shareholders holding more than half the stock have, or change to, the same tax year as the corporation.

Second, change will be allowed if shareholders holding more than half the stock have, or change to, a tax year that results in no more than three months' income deferral (this is similar to existing rules for partnerships). For example, if the shareholders' tax year is the calendar year, the corporation will be allowed to adopt a tax year ending September 30, October 31 or November 30.

The third test is met if the corporation can show that the requested tax year coincides with the natural business year, which is determined by computing gross receipts from sales or services for the last two months of the requested tax year. If those receipts are 25 percent or more of gross receipts for the 12 months ending the last day of the requested tax year, the test will be satisfied. This test must be met for each of the past three years.

If the S corporation cannot meet one of the three tests, it must use the calendar year as its tax year.

"Substantial Understatement"

The 1982 tax law imposed a new 10 percent penalty for "substantial understatements" of income tax—those where a deficiency exceeds 10 percent of the originally reported tax and is at least $5,000 for an individual or $10,000 for a corporation. The penalty can be avoided only if the taxpayer has "substantial authority" for his position or, in the alternative, "adequately discloses" that position on his return. (For tax shelters, the rules are more stringent.)

In March IRS issued proposed regulations on the new provisions. It has scheduled a hearing July 12 to discuss public comments on its proposals.

Taxable Pension Plan Loans

New rules from the 1982 tax law limit employes' tax-free borrowing from pension and profit-sharing plans. Such loans will now result in a taxable distribution to an employe to the extent that the outstanding principal on loans from the employer's plans exceeds the smaller of $50,000 or 50 percent of vested plan benefits.

The law provides one safe harbor—a participant can borrow up to $10,000, regardless of vested benefits. (Self-employeds beware: So-called prohibited-transaction rules in the law may continue to make plan loans to you subject to penalties.)

The 1982 law also requires faster repayment. Unless a plan loan, by its terms, requires repayment within five years, it is taxable as a distribution when made. However, a plan loan used to buy, build or substantially rehabilitate the borrower's principal residence (or that of a dependent) is not subject to the five-year rule.

When considering the income tax consequences of a plan loan, keep in mind that an employe's nondeductible plan contributions can always be returned to the employe tax-free. This effectively increases the tax-free loan limit.

Example: An employe's vested benefits under the employer's profit-sharing plan total $35,000. The employe also has made nondeductible contributions to the plan totaling $10,000. The employe may borrow up to $27,500 before becoming subject to tax. The first $17,500 is within the tax-free loan limit (50 percent of $35,000), and the remaining $10,000 represents a tax-free return of the employe's own nondeductible contributions. □

Note: For Your Tax File *is an information service for readers. See tax and legal advisers for guidance on all specific cases.*





When they retained Peat Marwick, American Computer Group was a small company with a big idea.

Last year its sales had grown to $18 million.

Sonny Monosson is known for his bow ties, suspenders and business acumen. In 1968, he and his partner Bill Grinker retained Peat Marwick as their business adviser.

Since then, American Computer has been successful selling and leasing computers, terminals, and communications equipment in a rapidly changing field. "In fact," says Monosson, "the only thing that we haven't changed is our business adviser."

At Peat Marwick, we don't make decisions for you. But we do help you with the information and the perspective you need to make wise choices. Our Private Business Advisory Service specialists serve the needs of growing businesses.

For example, we can help your business reduce and defer taxes. Evaluate alternative sources of financing. Develop cash management and internal control systems. Structure compensation, pension, and profit-sharing plans. And help in the selection and implementation of small computer systems.

The partner in charge of your account will provide counsel based on extensive knowledge of your business environment. What's more, he can draw on professional and technical resources that most advisers can't provide.

For information on our Private Business Advisory Service and a copy of our newsletter *The Business Adviser,* mail the coupon or call 800-221-3333 (in New York 212-775-1395).

Mail to: Peat, Marwick, Mitchell & Co.
345 Park Ave., Box PBAS, New York, NY 10154

Name

Title

Company

Address

City

State Zip

PBNB7

PEAT MARWICK

Private Business Advisory Services/
Accounting and Auditing/Tax Services/
Management Consulting

More Women Join Entrepreneurs' Ranks



PHOTO: KEN HEMEN

SBA's Carolyn Doppelt Gray (left) says women like L. Jean Webber (right), North Carolina's small business person of the year, represent a trend in U.S. business.

Women entrepreneurs comprise the fastest growing segment of the business community, according to representatives of the Small Business Administration.

Carolyn Doppelt Gray, director of the SBA's office of women's business ownership, says women own 2.5 million to 3 million of the 13 million small businesses in the United States. This compares with 1.5 million women entrepreneurs in 1972.

Gray says that the businesses of the 11 women whom the SBA named state small business people of the year or national business advocates of the year in May had gross receipts of $21 million in 1982 and created 2,013 jobs.

Women's businesses, she says, "are bringing in $50 billion a year to the gross receipts of our country."

Says SBA Administrator James C. Sanders: "Women's business ownership is where we think we are going to get the greatest gains in the next 10 to 20 years." He predicts that in the future, when little girls are asked what they want to be when they grow up, they will say: "I want to own a business, just like my mommy."

Just How Big Can A Small Firm Get?

This fall 36,000 more companies may become eligible for Small Business Administration assistance and government procurement set-asides, after proposed new size standards go into effect.

Most current size standards, which are based on annual receipts or number of employes, depending on the nature of the business, date back to the mid-'70s and have not been adjusted for inflation since 1975.

The latest effort to update the size standards began in 1980. It reflects comments and suggestions from the private sector and government agencies.

A major goal of the updating is to establish uniform standards for both procurement and assistance programs. Currently, a firm may qualify for one and yet not qualify for the other.

In the May 6 *Federal Register*, the SBA proposed that:

- The uniform size standards be those now used for procurement.
- Size standards now expressed in annual receipts (chiefly for nonmanufacturing industries) be adjusted—generally 81 percent—for inflation. (Smaller inflation adjustments would be made for standards established after 1975.)
- Size standards currently expressed in number of employes (mostly for manufacturing industries) be kept at the same level.

The SBA maximum size standards within the following broad categories would be:

Agriculture: $100,000 to $1 million in annual receipts; 25 to 30 employes (the exact ceiling would depend on the nature of a particular enterprise).

Construction: $9 million to $21 million.

Manufacturing: 500 to 1,500 employes.

Transportation: $3.5 million to $20 million; 500 to 1,500 employes.

Mining: 500 employes.

Wholesale: $15 million to $35 million.

Retail: $3.5 million to $13.5 million.

Services: $2.5 million to $14.5 million.

A major change is proposed for the wholesale trade industry, whose standard is now based on number of employes—the maximum is 500. Under the SBA proposal, size would be determined in the future by annual receipts.

Not affected are size standards for small business investment companies, small business development companies and pollution bond programs. For them, the alternative size standards of $6 million in net worth and average net income of $2 million after federal income taxes will be retained.

The SBA, which set a July 5 deadline for written comments on this latest proposal, is still trying to resolve problems with some industries because a straightforward inflation adjustment has not proven satisfactory.

Included in this problem group are heavy construction, dredging, eating places, food service, architectural and surveying services, engineering services, naval architecture and marine engineering, accounting and auditing, and bookkeeping and billing services.

Measuring Gains In the Paper War

Small business owners regard federal paper work requirements as a costly burden—but this summer, the government is listening to their complaints.

Beginning in June and continuing this month, the Small Business Administration's office of advocacy is holding hearings around the nation to find out how well the highly touted Paperwork Reduction Act of 1980 has performed.

The SBA wants to hear from organizations and individuals who can provide personal examples, statistics and other information about trends in federal paper work burdens.

Hearings were held last month in Tampa, Dallas and Indianapolis. Sessions are scheduled in San Francisco on July 13, Seattle on July 15 and Boston on July 21.

To schedule oral testimony, get in touch with Philip Nicoll, Room 1012, Small Business Administration, 1441 L Street, N.W., Washington, D.C. 20416, (202) 634-6180.

Those persons who wish to testify but who cannot attend any of the hearings in person may submit written comments to the above address before July 30.

FINANCE

Factoring Risk Into Deposit Insurance

It won't happen right away, but it is possible that in the future, thrift institutions, banks and credit unions will make federal deposit insurance payments based on how risky each enterprise is, instead of on asset size, which is the current practice.

In separate studies for Congress, the Federal Home Loan Bank Board and the Federal Deposit Insurance Corporation have advocated risk-based insurance. The FHLBB argues that "principles of deregulation, efficiency and fairness" justify a shift of this kind.

The National Credit Union Administration, in another report to Congress, resists such a change. It charges that "risk rating of government share insurance is theoretically and practically inconsistent with government's role as an insurer of last resort."

There are other skeptics. Paul M. Horvitz, professor of banking and finance at the University of Houston, maintains that in order for a risk-related system to work, "premiums would have to be based on the risk itself, and it's virtually impossible to define a risky venture before it takes place."

Banking regulators foresee some role for private insurers in offering coverage beyond the $100,000 cut-off point for federal protection.

A Smorgasbord Of Regulatory Options

The Vice Presidential Task Force on Regulation of Financial Services promises to issue later this year "substantive recommendations" for consolidating and streamlining financial regulatory agencies.

Richard Breeden, staff director of the task force and deputy counsel to Vice President George Bush, outlines some possibilities being considered:

- Creating a new independent federal bank commission to centralize regulation of commercial banks, holding companies and nonbank subsidiaries. This agency would combine many functions of the Federal Reserve Board, Federal Deposit Insurance Corporation and Comptroller of the Currency.
- Expanding the powers of the Federal Home Loan Bank Board to include chartering of commercial banks of less than a specified asset size. The board's name would be changed to the Federal Community Bank Board because it would be promoting all aspects of community development, not just housing.
- Combining all banking agencies' examiners in a quasi-governmental corporation. This new corporation would perform all supervisory reviews, under contract to the agencies, as well as audits for state banking agencies that subscribed to its stock.

PHOTO: DAVID VALDEZ



Many FDIC functions would be moved to a new agency under one proposal.

AGRICULTURE

Russia May Need More U.S. Wheat

Early crop indicators point to a reversal of a four-year streak of poor Soviet grain harvests, but American experts believe the U.S.S.R. will still require substantial imports over the coming years.

Heavy imports of wheat and coarse grain will be needed, the U.S. Department of Agriculture predicts, because the Soviet livestock inventory is growing. Another factor stimulating demand: The Russians were forced to draw down massive amounts of foodstuffs from their stockpile during recent lean years.

American estimates are that improved Soviet wheat production will result in declining imports, from 21 million tons last year to 19 million this marketing year.

But, U.S. experts say, feed grain purchases for expanding herds will be required and could well exceed the 14 million tons the Russians bought on the world market last year.

Under a seven-year contract cycle that ended April 30, the United States shipped 6.2 million tons of grain to the Soviet Union.

American officials have told the Russians that they are eager to negotiate another long-term grain deal.

Much depends on the Soviet crop. USDA estimates that a low yield could force the Soviets to buy as much as 46 million tons of grain from the Free World.

A Call To Choose The Free Market

American agriculture is at a crossroads between, on the one hand, the sort of dependence on government that will cost $21 billion in federal outlays this year and, on the other, a gradual return to a healthy free market. That is the message Agriculture Secretary John Block is expected to give to a national farm conference this month in Washington. (For an article on one federal farm program, see page 40.)

PHOTO: STACY PICK—GRAPHISTO



Secretary John Block: "The strongest, most efficient producers will survive."

The Reagan administration has tried with mixed success to convince Congress that the government's unwieldy price support and loan system stifles market opportunities, particularly abroad. Now, with the U.S. farm economy languishing, Block has a chance to force agriculture leaders to rethink the way the nation produces and sells its food.

Agriculture, America's largest industry, accounts for 20 percent of the gross national product and was responsible last year for a favorable trade balance of $24 billion, partially compensating for deficits in industrial trade. But Block insists food exports could be even larger.

Block told a congressional panel recently that a market-oriented food production system will ensure that "the strongest, most efficient producers will survive and prosper."

Protecting farmers from the marketplace with unrealistically high price supports will, he said, result in abandoning world markets, and it "would mean a permanent and major government role in the agricultural market and even larger budgetary expenditures."

DEFENSE

Could the U.S. Move Wartime Traffic?



PHOTO: U.S. ARMY CORPS OF ENGINEERS

The price tag for repairs to canal locks—this one is under construction—may be $15 billion.

The nation's transportation network of roads, bridges, canals and ports could not handle the volume of traffic likely to occur during wartime, warns Ralph Keidel, president of the Construction Industry Manufacturers Association.

"Roads and vital bridges help move equipment and goods coast to coast and give us access to strategic defense installations. Yet today these facilities are worn out or inadequate," Keidel recently told a convention of military engineers.

The Army Corps of Engineers reported this year that 56 locks on the country's canals are over 50 years old and require repairs that will cost $15 billion. The General Accounting Office says that 10 to 12 ports also need renovation, at a cost of $200 million to $500 million each.

Keidel urged military engineers to work with the private sector to develop a more effective plan to upgrade the transportation infrastructure during peacetime, instead of in an emergency. He proposed creating a joint "achievement force" that would, among other things, push for more standardization of civilian and military equipment.

Higher Productivity: The Army Finds a Way

A little-publicized subagency of the Department of the Army has been experimenting with ways to increase worker productivity. With a 16 percent increase in worker performance last year, it may soon serve as a model for larger government organizations.

Taking some cues from private enterprise, the Army Materiel Development and Research Command (DARCOM) launched its Reshape program three years ago.

At that time, it had just come under the strain of a massive Army modernization plan.

"We had to get more people or more work out of the people we had," recalls Jack Nickerson, DARCOM's productivity office chief. "We chose the latter."

DARCOM gave bonuses to workers who exceeded quotas. Reshape managers learned from business that paying overtime—up to 13 percent of the payroll—was more cost-effective than adding employes to the work force. But the biggest cost savings probably came from a larger capital investment in time-saving machines.

At the Red River Army Depot in Texarkana, Tex., DARCOM reduced by 48 percent the manpower required to service tanks, by installing a machine that simulates the field stress the tanks encounter on maneuvers.

"With the growing federal deficit and the need to keep taxes under control, it's important for government to improve its productivity," says DARCOM public affairs officer Madeline Bechtold.

INTERNATIONAL

Do the Japanese Really Hate Imports?

Jin Sawada, the Japanese Embassy's commercial minister in Washington, insists that the import market in Japan is "almost completely open. There is too much exaggeration in the American press about a closed market there."

Sawada says Japan "would welcome aggressive United States entry into its markets. My country is against nationalization of industries and is strongly for free trade."

Although Japanese government policy has "operated as a catalyst for private industries," says Sawada, "my government has not protected those industries."

Lionel Olmer, who heads the U.S. International Trade Administration, sharply disagrees with Sawada. He says Sawada's former employer, the Japanese Ministry of International Trade and Industry, is actively involved in phasing out "mature" industries in Japan while it nurtures new ones.

For instance, Olmer says, Japan's MITI may supply research funds directly to a consortium of Japanese firms to develop some new high-technology industry. A research association is formed, and MITI is repaid by the benefiting firms only if the research develops into a profitable industry. That kind of targeting leads to an emphasis on "buying Japanese," says Olmer, and often "it may be impossible to sell competing U.S. products."

Trade Agency Plan Off to a Slow Start

Although the White House is pushing hard for legislation to establish a new Department of International Trade and Industry, to replace the Commerce Department, there is foot-dragging in Congress.

In a recent televised appearance at the U.S. Chamber of Commerce, which supports the idea of a new department, President Reagan said that too many federal agencies now administer the nation's foreign trade policy. "It would make sense to have one federal agency where you could turn for answers," the President said.

Sen. William V. Roth (R-Del.) is sponsoring a bill to create a "lean and mean" trade department. It would replace what he calls the "grab bag of unrelated functions" that make up the current Commerce Department.

Commerce Secretary Malcolm Baldrige agrees with Roth's description. He complains that the U.S. trade deficit this year could reach $60 billion and that there is "a lack of accountability" among federal agencies for the problems involved. (See page 54.)

The National Oceanic and Atmospheric Administration—which accounts for about 60 percent of Commerce's budget and 40 percent of its employes—would not be part of the new trade department. That has led to a turf battle on Capitol Hill among committee chairmen who do not want to give up jurisdiction over NOAA.

Commerce Secretary Malcolm Baldrige wants his department replaced.



PHOTO: DAVID VALDEZ

Caught in an Employee Benefits Cost Bind?

We've got some answers you probably haven't heard about.

There is a way to control employee benefit costs yet offset any negative employee reaction to a reduction of your benefits program. A Group and Pension Representative from The Bankers Life of Des Moines can show you how.

For example, by replacing a reduction in other benefits with low cost Employee Benefit Auto* insurance, The Bankers Life provides a new, unusual coverage with immediate values almost every employee will appreciate. And the cost to your company is less because most of the auto premiums are funded through payroll deduction. The Bankers Life handles all other paperwork for you, including claims.

So if it becomes necessary to reduce the cost of your employee benefit program, don't talk to someone who specializes in only one field – be it Group Life, Health, Disability or Pension/Profit Sharing. Talk to The Bankers Life because every one of our representatives is trained in all aspects of employee benefits so they have the perspective needed for overall planning as well as expertise in each particular area.

You'll find them better able to suggest a comprehensive program that will fit your budget and provide a combination of benefits that will be well received by your employees.

To learn more about new ideas on how to keep your employee benefit costs under control . . . and your employees happy. . . mail the coupon below or contact your local Group Office of The Bankers Life.

*Available in most states through BLC Insurance Co., a subsidiary of The Bankers Life of Des Moines.

The Bankers Life, Group Sales NB-71
Des Moines, Iowa 50307

I'd like to hear about new alternatives that can control the cost of employee benefits programs.

Name_____

Title_____

Company_____

Address_____

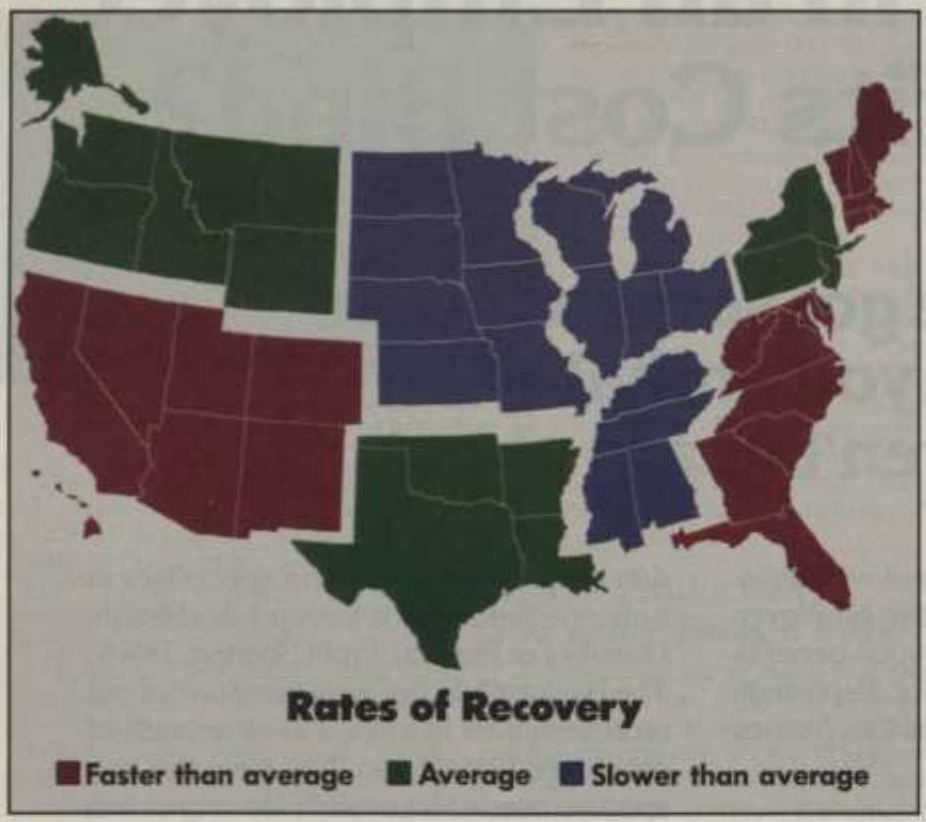
City_____ State_____ Zip_____

Telephone ()_____

THE BANKERS LIFE

BANKERS LIFE COMPANY DES MOINES, IOWA 50307

Up From Recession: An Uneven Pace



The 1981-82 recession hit different parts of the country with varying severity, and the Forecast Center of the U.S. Chamber of Commerce sees regional differences, too, in the upturn now under way.

Recovery will be faster than the national average in New England, the South Atlantic states and the Pacific Southwest, the center says.

It will match the national average in the Middle Atlantic, Pacific Northwest and West South Central states, the center says, and be slower in the East South Central, West North Central and East North Central states.

A region-by-region breakdown:

New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont). A stronger outlook for capital goods investment should increase manufacturing employment, notably in Connecticut, where the largest industries—fabricated metals, nonelectrical machinery and transportation equipment—depend heavily on such investment.

Increased consumer spending is expected to particularly benefit Massachusetts, with its consumer electronics industries. The trend toward office automation will help the computer industry, a major jobs source in New Hampshire.

Middle Atlantic (New Jersey, New York, Pennsylvania). Manufacturing employment is expected to fall slightly until year's end but to rise substantially in 1984. The auto production upturn should alleviate some of the steel industry's troubles. Large financial and services sectors in New York and New Jersey eased the recession there. Sizable employment increases in these sectors and in trade are expected in the next two years.

South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North and South Carolina, Virginia, West Virginia). Though manufacturing sector growth will be modest compared with that in past recoveries, strong growth in the large nonmanufacturing sector will dominate. Because of industrial diversity, this region fared better than the nation as a whole in the recession. The strongest South Atlantic state was Florida, where manufacturing employment fell only 1 percent. It fell 7.5 percent in West Virginia.

East North Central (Illinois, Indiana, Michigan, Ohio, Wisconsin). Heavily dependent on cyclically sensitive manufacturing, this region suffered greater than average job losses in the recession. Its recovery will be strongly influenced by residential construction and auto production—sectors that should provide much business to such related industries as fabricated metals, which accounts for some 12 percent of the region's manufacturing jobs.

East South Central (Alabama, Kentucky, Mississippi, Tennessee). The strong upturn in consumer demand needed to give a substantial boost to the apparel and textile industries—major employers in this region—is not expected until the end of the year. Also not expected until then is a weaker dollar, which would help these industries against foreign competition. A recovery in exports should expand business for Alabama and Mississippi port cities and for producers of the region's major export goods—chemicals, coal, tobacco and forest products.

West North Central (Iowa, Kansas, Minnesota, Missouri, Nebraska, North and South Dakota). Despite an increasingly diverse industrial base, this region's economy still is dominated by agriculture. The Payment-in-Kind program for idling acreage should raise farm income but hurt farm suppliers (see article on page 40). With resumption of normal planting in 1984, though, the suppliers should see an upturn in demand.

West South Central (Arkansas, Louisiana, Oklahoma, Texas). The drop in oil prices will slow the recovery in this energy-rich region, where drilling activity has declined. However, lower oil prices are good news for the chemical industry because they cut raw material costs, and Louisiana and Texas together account for 10.5 percent of the industry's payrolls. Regional employment rose .8 percent during the recession, but a 3.3 percent increase in nonmanufacturing jobs masked weakness in the manufacturing sector, where employment fell 10.3 percent.

Pacific Northwest (Alaska, Idaho, Montana, Oregon, Washington, Wyoming). The lumber industry accounts for about one in four of this region's manufacturing jobs, and lumbering employment will rise as the nationwide housing recovery gathers strength. The aerospace industry, another major employment source in the region, has suffered from a reduction in airlines' orders. However, airline prospects are looking up.

Pacific Southwest (Arizona, California, Colorado, Hawaii, Nevada, New Mexico, Utah). Declines in manufacturing and mining jobs during the recession were offset in this region—except in California and Hawaii—by rising employment in wholesaling, retailing, finance, services and government. Continued expansion of high-technology manufacturing will be of substantial help in the region (in Arizona, 38 percent of jobs are high-tech, as against 8 percent nationally). Also helpful: an expected rise of tourism, stimulated by the fall of oil prices.

The Chamber of Commerce of the United States presents . . .

See How They Run®

Action Course in Practical Politics

Just for you . . . the fascinating world of politics! Now everyone can understand the complexities and functions of politics. This nonpartisan political education course and campaign game provide all the materials necessary for an entertaining and educational look into the political realm. *See How They Run—Action Course in Practical Politics* will show how you can get involved in the political process.

The Course

A Discussion Leader's Guide and Student Manual will open doors to the world of politics and to campaign victories. The course's objectives are to:

- Explore the role of the individual in politics.
- Develop an understanding of political party organization and operation.
- Reveal specific ways you can use your talents, abilities and knowledge to win elections.
- Show you how to get firsthand information about politics on the local level and to meet local, county and state politicians.
- Help you learn how to work effectively for the candidates and party of your choice.



The Game

Capture all of the realism, excitement and frustration of politics. *See How They Run* will lead you through a senatorial campaign, during which teams will use such campaign resources as money, ethics, organization, image, computers and strategies. Try your hand at the most provocative and realistic campaign management game ever devised.

The Components

Interested persons and groups organize and conduct the course using materials provided by the U.S. Chamber.

Leader's Unit—Contains: Discussion Leader's Guide, Student Manual, and game materials. Each group needs one Leader's Unit (reusable).

Student Manual—Each participant needs one text. Texts are sold in sets of 10.

Great for chambers of commerce, trade and professional associations, individual firms, and community groups . . . *it's political excitement as you have never experienced before!*

Order yours today!

See How They Run—Action Course in Practical Politics

_____ Leader's Unit (#6248) at $75.00 each $_____

_____ Student Manual (#6247)—one set (10 texts)—at $60.00 per set $_____

_____ Total $_____

☐ Check Enclosed (Make checks payable to the Chamber of Commerce of the U.S. District of Columbia and California residents add appropriate sales tax.)

☐ Bill Me

Name _____

Organization _____

Street Address _____

City _____ State _____ Zip _____

NB0783

Public Affairs Department, Chamber of Commerce of the United States, 1615 H St., N.W., Washington, D.C. 20062

Building the No. 1 Small Business

Other entrepreneurs in other fields can learn from a father-and-son team's experiences in marketing Mexican foods.

By Grover Heiman

AT AGE 10, Louis Ruiz negotiated an agreement under which he would help clean a W.T. Grant store in downtown Los Angeles in exchange for damaged or overstocked merchandise.

"Usually I got packages of broken candy," recalls Ruiz, now 65. "But one day they gave me a lot of feather dusters. I loaded them in my little red wagon and stopped at every store on the way home. I sold them all for 10 cents each."

Thus began an entrepreneurial career that eventually led to the White House, where President Reagan presented Ruiz and his son, Frederick, with a joint Small Business Person of the Year Award for 1983.

The California father-and-son team was chosen from winners of competitions in the 49 other states, Puerto Rico and the District of Columbia.

Criteria used by the Small Business Administration panel of judges included not only financial success but also staying power, overcoming of adversity and use of innovative techniques. The Ruizes became highly familiar with those aspects of business during a long struggle to build a thriving company, now the second largest producer of frozen Mexican foods in the West.

In many ways Ruiz Food Products, Inc., of Tulare, Calif., represents a classic case history of how staying power and innovation mark the difference between success and failure for the hundreds of thousands of individuals who each year set out with limited resources and limited capital to realize that typical American dream—to be your own boss.

For Louis Ruiz that goal survived a promising career as an employe of a big company, short-lived ownership of two earlier businesses of his own, a family falling-out over business finances, and the necessity to become a self-taught inventor, machinist, cook and specialist on frozen-food processes. It also survived the threat of payless paydays for employes, the constraints of government regulation and such diversions as a packaging problem that took two years to solve.

Out of it all, Ruiz now says, he learned that the vital element for both new and established businesses is progress.

"When you are getting started," he explains, "people don't allow you any mistakes. You must keep improving. The minute you stop, someone will move in."

And, he adds, there is no plateau where progress can be allowed to level off: "You have to be willing to change. You can't stay in business otherwise. Always change."



Fred (left) and Louis Ruiz constantly spot-inspect production lines of their Ruiz Food Products, Inc., to ensure quality. (Inset) Burritos await freezing.

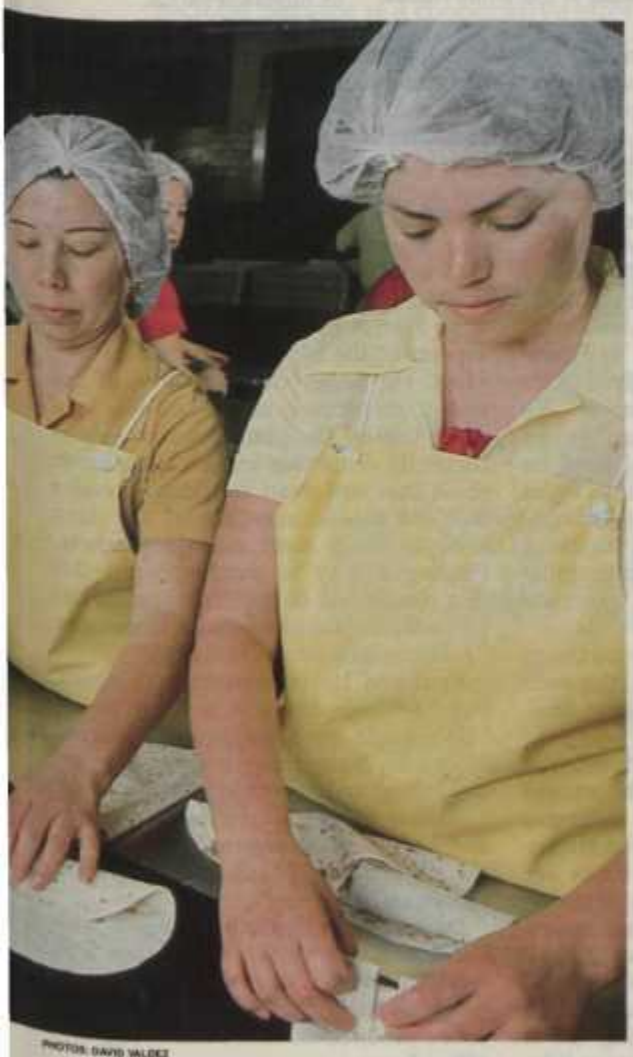
Ruiz, a native of Mexico who was brought to the Los Angeles area as a child, briefly owned a neighborhood grocery store before World War II. He sold it when he entered the Army. He later became an employe of the Flintkote Corporation, which offered the prospect of a permanent career.

But the lure of running a business of

his own was too strong. Ruiz began selling sweaters door-to-door in his spare time and built that sideline into ownership of a small clothing store. His wife ran the store while he continued door-to-door sales.

THEN AN EVEN GREATER opportunity appeared, and he plunged into what turned out to be an experience involving a common mistake in fledgling small businesses—participation of several family members without a formal agreement on financial responsibilities.

Mexican food was growing increasingly popular in California in the early 1950s, and Ruiz and his four brothers decided to go into the tortilla business. Louis Ruiz sold his clothing store, bought a machine that made corn tortillas and, working in his garage, began experimenting to convert it so it could also make wheat-flour tortillas, for which there was a growing market.



PHOTOS: DAVID VALDEZ

Although he lacked technical training, Ruiz gained enough on-the-job experience to convert the machine into one that made flour tortillas. He also built a longer conveyer belt for handling the product and was ready to go. Although orders were slow in coming in at first, the future was promising.

By 1954 Ruiz had invested all his capital in the firm, as well as his time and ingenuity. He was rebuffed, however, when he asked one of his brothers for a written operating agreement. "Forget it," he said, and he walked away—broke.

He went back to being an employe, working in small grocery stores, but the call of entrepreneurship was still there. In 1960 he bought a small truck, rented warehouse space and started a business delivering groceries. Fred, then in high school, helped out, beginning what was to become a close and long-lasting business association with his father.

That association was the other side of the family-involvement coin. Although such arrangements often collapse in arguments over financial or labor contributions, a recent survey showed that more than half of the nation's small business owners rely on family members for help.

While making his grocery rounds, Louis Ruiz continued to think about business opportunities in the market for Mexican food.

He saw a possibility in the production of frozen enchiladas, but son Fred saw a major obstacle: The market was already supplied by large corporations that would be difficult to challenge.

Louis' answer embodied a perspective that is the key to success in virtually every new business: "I think we can do it if we do something different."

His different approach: "We'll package them in clear plastic so that the customer can see them."

In 1964 the Ruizes acquired a small upright freezer, a kitchen stove, an ancient refrigerator and a Mixmaster. They began turning out cheese and onion enchiladas. Meat is a common ingredient of enchiladas, but the Ruiz plant could not meet state or federal standards for processors using meat.

That posed a problem. The nonmeat enchiladas didn't go too well. The independent grocers who stocked them said they didn't appear to have sufficient filling. The Ruizes then added beans to the product, and sales began to grow. They used the trade name "Rosita," after the elder Ruiz' wife.

Louis' ingenuity faced a major test when he found that customers could not see the packaged enchiladas because of frost inside the clear plastic wrapping. For the next two years, he experimented in the evenings with different types of flour until he came up with a tortilla dough that did not cause frost.

Like many small businesses, the Ruizes' enterprise ran into problems because of inadequate market research. Decisions were often based on extraneous factors. The original packages contained five enchiladas, not because this number had been determined as the one that would have the most sales appeal, but because, as Louis Ruiz explains, "that was the only size tray we could buy at the time." Now the company's packages contain two or four enchiladas.

When the company began marketing burritos, the optimum size of the package was determined by trial and error. Single burritos didn't sell, and putting two in a package did not improve business. It wasn't until they got up to eight in a package that the Ruizes found the number with sufficient sales appeal.

ALTHOUGH THOSE early problems were solved one after another, it still took a long time for the business to take off. The Ruiz father and son team cooked and prepared products in the morning, and Louis spent the afternoon selling and delivering. Louis created their first refrigerated truck by installing an insulated plywood chest on the small truck he had used in his grocery delivery business.

In the early days of the Mexican-food company, he appeared in potential customers' stores wearing a suit in his role as a salesman, then changed to work clothes at a service station rest room en route to his next stop, where he became a deliveryman.

As business improved, the Ruizes used a commercial freezing plant to supplement their own limited production and storage capacity. The year 1967 was a turning point. The company had an opportunity to lease a 1,400-square foot plant with a large freezer. To raise capital, father and son scrapped their partnership arrangement and incorporated Ruiz Food Products, selling 14,000 shares of stock to Tulare residents and keeping 14,000. They later repurchased half the shares

that had been sold to the public.

The $14,000 raised in the offering financed rehabilitating the leased plant, which had been used for poultry processing, and purchasing additional equipment.

The Ruizes then had a new plant, five employes—and a cash-flow problem. Fred took his father aside one grim day and asked, "Do you have any money in your pocket?"

"No, why?"

"I don't think we can meet our payroll," Fred said, adding that he was becoming discouraged about the company and was thinking of returning to college.

Once again, Louis had to come up with an instant solution in a crisis situation. His answer: tamales.

"I've been thinking about tamales," he told his son. "We already have the ingredients." And he again needed to find a different approach to make his product competitive.

Ruiz recalled the once-familiar vendors who sold authentic Mexican tamales—wrapped in corn husks and steamed—from pushcarts in Southwestern communities in earlier days. Then he decided to offer the same product. He persuaded five merchants to let him install heating units in their stores and sell the tamales warm.

Within a week the merchants were calling for more tamales to meet a brisk demand. "And we started getting a little money," recalls Fred Ruiz, now 40.



President Reagan, who likes Mexican food, presented the Ruizes with the Small Business Person of the Year award at the White House.

GROSS SALES in 1967 were only $40,000, but they shot straight up after that year. The new plant was up to California inspection standards, allowing the addition of meat enchiladas to the product line. By 1975 sales stood at $500,000, but the existing plant was running at capacity and would not permit further growth. Then a more serious crisis—involving not growth but survival—suddenly developed. California decided to turn back to the U.S. Agriculture Department responsibility for setting and enforcing standards for meat processors. Although the Ruiz plant had met state standards, it was not up to federal requirements.

So, at the point at which the frustrations and hard work of the early years were finally giving way to success, the Ruizes faced a choice of building or buying a new plant or going out of business. They decided to build.

They had no retained capital and had at times borrowed a few thousand dollars to meet current operating expenses. Constructing the plant and equipping it would cost $635,000. Fred Ruiz set out to raise funds, going first to the Small Business Administration. The company's performance to that point was good enough to convince the SBA to make a $500,000 direct loan, and the balance was raised from a local bank through an SBA-guaranteed loan.

The new plant was opened in Tulare in 1977 with 26 employes. Fred Ruiz says, "We were going for broke." He estimated the company had seven months to reach the survival level on sales. It did so in that time frame. Sales that year were $700,000, and the company began capitalizing on a silver lining in the black cloud of the federal regulations that had threatened to terminate the business.

Because the Agriculture Department had certified it for operation, the company was able to enter interstate business, and it moved quickly into vast markets. The new plant has doubled in size from its original 11,000 square feet, and the company now operates throughout the area west of the Mississippi River, and in Canada. Plans are under way to move into the Midwest and the eastern United States and to develop markets in the Far East.

Sales are projected at $18 million this year. The company today has 205 employes, who turn out a growing list of products that now carry the name "Rosita-Si," and there is a distribution center in Fresno.

Fred Ruiz, now chief operating officer of the company, is building an in-house marketing capability to augment the brokerage system on which the company has mainly relied. He is also installing modern financial and personnel policies, including an employe training program.

After leaving high school, Fred found time to take two years of college business courses while helping out in the family business and holding down two other jobs. He has been a major force in the transition of the business from its seat-of-the-pants origins to its present scope.

Several years ago, Fred attended a seminar under the auspices of the Minority Business Development Agency, a part of the Commerce Department. At the seminar, he was initiated into the mysteries of business ratios.

"This gave me my first real appreciation of how valuable financial statements are," he says. "I spent a weekend going over past statements, and after that we started making quarterly statements. You have to know how you are doing today, not 18 months ago.

"All of a sudden it opened up a whole new world for me and convinced me that a lot of people in business are a success in spite of themselves."

As Fred Ruiz more and more runs all aspects of the business and moves into sales, his father devotes more of his time to developing new equipment in a workshop on the plant grounds. He is currently designing and building a machine that will wrap individual tamales in clear plastic sheeting of the kind used to wrap meat in supermarkets. Finding a way to machine-wrap this thin plastic has defied the experts, but Louis Ruiz claims he is close to success. "Just common sense," he says.

Fred and Louis sometimes disagree, but Fred says there is a silver lining: "He's made me a salesman. I learned from him. Many times I would suggest something and he would just say no. So I learned to get all my facts together and have a good argument to counter his objections. That's what a good salesman has to do."

Some things haven't changed with success. Louis Ruiz and his son still work 12 hours a day, six days a week, much as they did when they were the entire production, sales, marketing and office force.

When they returned from the Washington visit in which they received the 1983 small business award, they found that workers had hung across the front of the plant a sign declaring, "We Are No. 1 National Small Business of 1983."

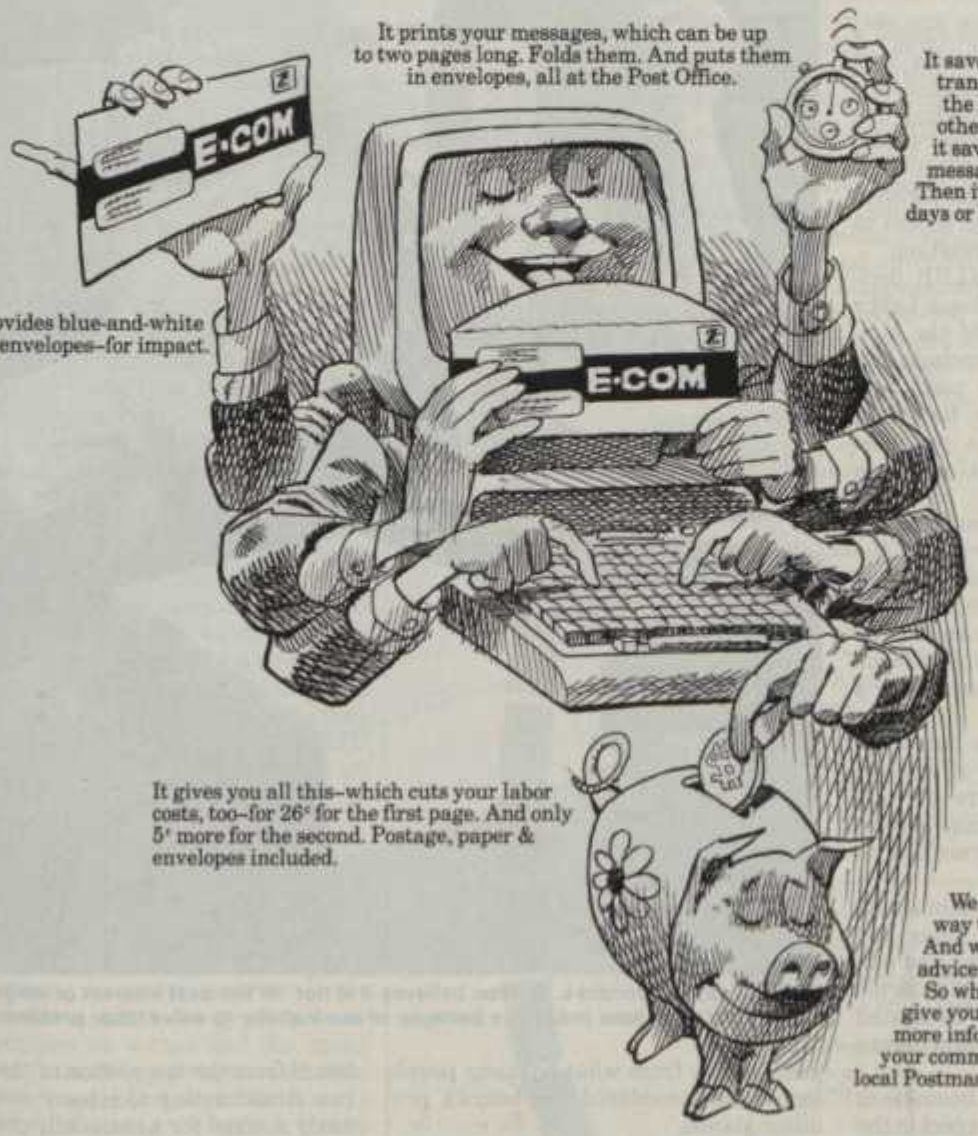
After a celebration party, the next morning the Ruizes started immediately to catch up on the work that had piled up during their trip. □

To order reprints of this article, see page 63.

LET E-COM "SIGN, SEAL, AND DELIVER" YOUR MAIL FOR LESS THAN YOU'RE SPENDING NOW.

There's a better way to send out computer-originated mail. The Postal Service's E-COM Service. It lets your computer transmit directly to ours. So you can send announcements and invoices, for example, while you bypass a lot of work–and expense.

E-COM Service is a cooperative effort between private sector communication carriers and your Post Office. Here's how it works. Once your system is set up for E-COM Service, your computer operator simply prepares the message. It's then transmitted as data, by telephone or other communication carrier, to any one or more of 25 Serving Post Offices throughout the country. And E-COM Service takes care of all the rest.



It prints your messages, which can be up to two pages long. Folds them. And puts them in envelopes, all at the Post Office.

It saves you time by letting you transmit your message directly to the Post Office by telephone or other communication carrier. And it saves time by printing your message right at the Post Office. Then it delivers your mail in just 2 days or less.

It provides blue-and-white envelopes–for impact.

It gives you all this–which cuts your labor costs, too–for 26¢ for the first page. And only 5¢ more for the second. Postage, paper & envelopes included.

We can help you figure out the best way to link up with E-COM Service. And we can even give you any technical advice you might need.

So why not let new E-COM Service give you a hand with the mail? For more information, simply call or write your communication carrier or your local Postmaster.

E·COM®

IT DELIVERS SAVINGS ALONG WITH THE MAIL.

© USPS 1983

Restoring Balance To the Labor Board

Reagan's appointees have reduced the NLRB's pro-union tilt, but not as much as expected—so far.

TWO THIRDS of the workers voted against union representation. But the National Labor Relations Board held that the employer had used unacceptable means to discourage a pro-union vote and must therefore negotiate with the rejected labor organization.

In another case, the board upheld a call for a boycott of all tenants in a shopping mall by a union engaged in a dispute with a contractor building one store in the mall. In still other cases, the NLRB has opened major loopholes in laws designed to limit union jurisdiction over employes who have access to employers' confidential information.

Those are some of the NLRB decisions that caused the National Labor Relations Act Task Force of the U.S. Chamber of Commerce to conclude in a recent report: "Over the past few years, the National Labor Relations Board has repeatedly taken positions that support the institutional interests of organized labor."

Labor law specialists from industry and the legal profession served on the task force, which also concluded that the board in many recent decisions involving representation cases has "helped fortify union positions in some areas and has helped unions secure a foothold in others."

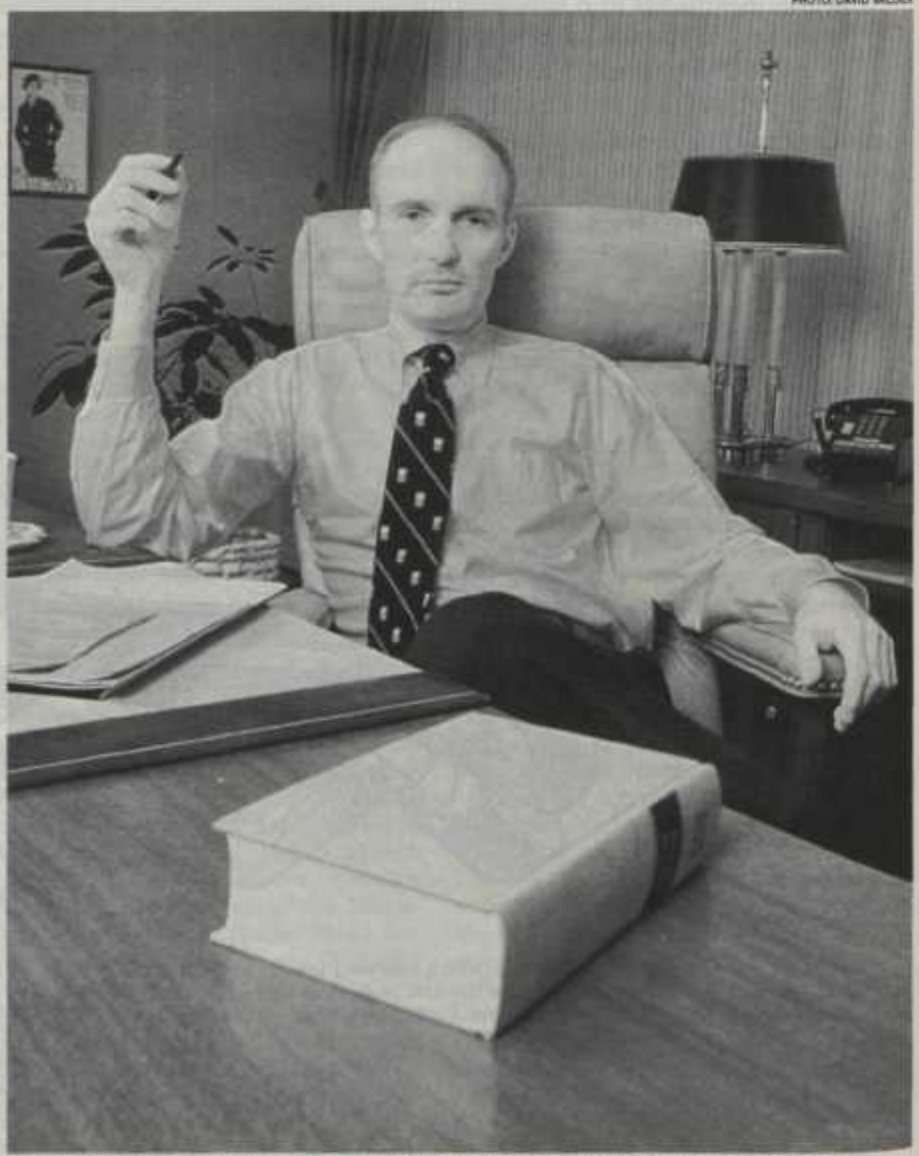
Said the task force: "The board appears to interpret standards of conduct in election campaigns more strictly against employers than against unions, when one side or the other is seeking to set aside a board election.

"Similarly, board determinations with respect to procedural rules and remedies lack evenhandedness and balance. Recent bargaining-unit determinations of the board have facilitated union expansion, particularly into white-collar occupations."

Against that background, business is wondering what changes to expect in the NLRB's outlook, now that it has a majority of members, including the chairman, appointed by President Reagan.

The consensus of the experts: Change is coming more slowly than anticipated. But there are growing signs of a historic shift, within the next few years, away from what business people have long considered the board's pro-union stance.

PHOTO: DAVID VALDEZ



NLRB Chairman Donald L. Dotson believes it is not "in the best interest of wage earners for us to lose industries because of our inability to solve labor problems."

Reagan appointees now serving are:

• Donald L. Dotson, the chairman, who began his law career as an NLRB field attorney and later was labor counsel to major corporations. He has been critical of past NLRB decisions.

• Patricia Diaz Denis, who came to the board from the law section of the American Broadcasting Company and previously worked for a nationally prominent law firm based in Los Angeles.

• Robert L. Hunter, who was chief counsel to the Senate Labor and Human Resources Committee under the chairmanship of Orrin Hatch (R-Utah), a leading congressional conservative.

The other two members are Howard

Jenkins, who has been on the board for 20 years, and Donald Zimmerman, who served on the minority staff of the Senate Labor Committee when Democrats were in the majority. Former Sen. Jacob K. Javits (N.Y.), considered one of the most liberal Republicans in the Senate in modern times, was senior GOP member at the time.

Chairman Dotson and Hunter are considered the conservative, or centrist, faction on the board, and Jenkins and Zimmerman are viewed as the liberal wing. Denis is still an unknown factor, but NLRB watchers say the real impact of the Reagan administration on national labor policy will be determined by what happens to Jenkins when his term expires next month. If Reagan appoints a conservative determined to combat pro-labor bias on the board, there will be sweeping changes in its philosophy.

There is no guarantee of that happening, however. Jenkins, a Republican, is a black with strong support from organized labor, and he has made it clear he wants to be reappointed. The big question, the experts say, is whether Reagan will want to risk an all-out confrontation with organized labor over the appointment around the time he is expected to announce his candidacy for a second term.

BUT BUSINESS SPECIALISTS on labor law see the replacement of Jenkins as one of two critical steps that must be taken if the board is to shift from what has been its generally pro-labor policies. The other is the replacement next April of William Lubbers, the Carter appointee who now fills the powerful post of general counsel to the board.

The general counsel is the equivalent of a prosecutor who acts independently of a court—in this case, the board itself—in deciding which cases are to be brought up for action. He also decides which are to be rejected, how they will be argued, and if necessary, how they will be appealed. He supervises a staff of nearly 80 other lawyers and exercises general supervision over 33 NLRB regional offices.

A general counsel's position with such sweeping power was established to counter criticism that the NLRB was acting as prosecutor, judge and jury on cases submitted to it. But the arrangement spawned another problem: If the board rules against the general counsel's position on a case and the losing party appeals, the general counsel must then switch sides and argue the board's point of view during the appeal. Critics of that arrangement hold that it constitutes a potential conflict of interest for the general counsel.

Discussions about changing the procedure have gone on for years, but nothing was done about it until Dotson acted last May, touching off charges of politi-

Take a giant step forward

with a tax-deferred pension investment plan for corporate employers of 100 or less.

Phoenix Mutual, a leader in providing innovative group life and health coverage, has designed a flexible, diversified retirement program for small businesses. It's called "Giant"* because it towers above anything else. Now you can take advantage of the *same* pooled funds offered to larger corporations as well as our professional expertise backed by a portfolio of more than $1 billion in pension assets.

With a minimum contribution of $7,500 a year, you can choose from three investment vehicles: Money Market, Stocks or a Guaranteed Interest Fund. There's no entry sales charge (100% is invested immediately). Benefits are paid at *full* accumulated value and surrender charges on withdrawals disappear after seven years. In addition to a toll-free "hot line" service, our comprehensive Administrative Service package includes quarterly fund statements, processing of transfers and withdrawals, prototype plan document, IRS submission assistance and employee record keeping. What's more, "Giant" can be used as a post-TEFRA pension/profit-sharing plan. Take the first step by sending us this foot.

Here's the foot. Tell me more about "Giant."

Name_____

Title_____

Company_____

Address_____

City_____

State_____ Zip_____

Telephone_____

Do you now have an existing pension or profit sharing plan? ☐ Yes ☐ No

Group Sales Department
One American Row
Hartford, CT 06115

Phoenix Mutual

A-24 NB

*Not yet available in all states.
© 1983 Phoenix Mutual Life Insurance Company

cal motivation. With the backing of the other board members, except Zimmerman (Denis had not yet begun service on the board), Dotson took responsibility for the management of the lawyers who represent the board in court.

Dotson's office will review all papers prepared by the lawyers, and he will have responsibility for hiring, promotions and terminations. Lubbers retains congressionally mandated power to issue complaints in labor-management disputes, supervise regional investigations and prosecute in cases of alleged unfair labor practices.

The new arrangement was described by critics close to organized labor as a move to undercut Lubbers because of his Carter administration connections and longtime service under one of the board's most unabashed friends of unions, former Chairman John Fanning.

But many other private-sector specialists on labor law defend the move. "It's a long overdue change," says John Penello, himself a former NLRB member now in private law practice in Washington.

There has been speculation that the Dotson move to curtail Lubbers will

Concern for the Wage Earner

The NLRB's chairman believes in applying the law to large and small unions alike.

If the chairman of the National Labor Relations Board somehow seems like a U.S. Marine—even though he never was one—that is because he was raised in a Corps atmosphere.

Donald L. Dotson was born in 1938 in rural North Carolina, where his father was a small businessman and volunteer fireman. In 1945, the elder Dotson became the civilian fire chief at Quantico Marine Corps Base, just south of Washington. With the job came quarters on the base and officer-equivalent status.

Don Dotson attended the dependents' school on the base, where he was captain of the football team and president of the student council. He entered the University of North Carolina in 1957 with no career goals clearly in mind, but he did feel obligated to serve in the armed forces. He earned his bachelor's degree in international law and politics in three years, and he was accepted for naval aviation officer candidate school.

As a junior naval officer, Dotson served in an attack squadron, and one of his duties was to be squadron legal officer. After five years in uniform, he decided on a legal career. While in law school at Wake Forest University in Winston-Salem, N.C., he specialized in administrative law, including labor law.

Fresh out of law school, he went to work as a field attorney for the NLRB in Winston-Salem in 1968. His first case involved a paper company represented by a prominent attorney, who started the first meeting by saying: "Dotson, there's one thing I want you to know—next to the Equal Employment Opportunity Commission, we think you're the sorriest people on the face of the earth."

There were other rebuffs for Dotson, who as a field attorney from 1968 to 1973 handled the full gamut of NLRB activities—investigating cases, holding representation elections and hearings, and trying cases on allegations of unfair labor practices.

While with the NLRB, Dotson was president of an employe local. He had been a union member once before—while in law school, he worked a couple of summers as a Greyhound bus driver and joined the drivers' union.

In 1973 Westinghouse offered Dotson a job in its Pittsburgh headquarters as an attorney in the labor law division. Two years later Western Electric Company lured him away, and the following year Wheeling-Pittsburgh Steel Corporation hired him as its chief labor counsel. He was in that spot, and content, in 1981, when an unsolicited offer came from the White House personnel office—he was asked whether he would take a labor-related job in the Regan administration.

Dotson was not interested in the NLRB, but he did accept the job of assistant Labor secretary for labor-management relations. Dotson's nomination was unopposed, and the Senate Labor and Human Resources Committee did not bother even to hold hearings on the nomination before sending it to the full Senate for confirmation.

In the Labor Department, Dotson's office was charged with enforcement of the Labor-Management Reporting and Disclosure Act and the Employee Retirement Income Security Act. Under his leadership the office became more aggressive. Dotson's staff developed an on-site auditing program for unions, and in two years the number of unions being audited was five times larger than before.

Dotson became aware that no international union had been audited in the seven years before he took office—a situation he soon rectified. "An international," he says, "as far as the law is concerned, is no different from a local or any other labor organization entity subject to the law or subject to the audit. It didn't seem right that the largest, or the groups that would tend to handle the most money, had apparently been put off limits."

Worse, some audits could not even begin without being cleared with some political figure. Dotson outlawed such clearances. During his tenure at the Labor Department, he added to his unfavorable rating with some union leaders by vigorously pursuing pension fund embezzlement investigations.

Dotson says that his only motive has been a desire to protect the interests of wage earners. "Over the years," he says, "the Labor Department's record in those areas was abysmal."

Late last year, when it became obvious that John Van de Water, President Reagan's original nominee to be chairman of the NLRB, was not going to win approval, Dotson was sounded out for the job. He preferred to continue at Labor, but he said, "If the President appoints me, I will accept."

In a letter to the Senate Labor Committee, AFL-CIO President Lane Kirkland expressed "grave reservations" about the Dotson nomination, but his letter was the only sign of dissent. Again Dotson's trip through the Senate confirmation process was smooth.

Whether his tenure as chairman will be nearly as smooth remains to be seen. □

—Grover Heiman

eventually be thrashed out in the courts, but there is no sign of any court action by Lubbers or anyone else to challenge Dotson on the issue. (Some liberal Democrats in the House of Representatives have registered objections, however.)

Although the controversy has put Dotson in a spotlight he did not seek, it has helped to serve notice that he is beginning to have an influence on the board.

Penello predicts that Dotson will be a "tough and fair-minded" chairman during his tenure at the NLRB. Although the board under Dotson has yet to consider major cases setting new national policy, his views on the NLRB's role are welcomed by business as grounds for optimism on future rulings.

Organized labor, on the other hand, has had its misgivings about Dotson since he was nominated. The AFL-CIO sent out a nationwide call for evidence of wrongdoing by Dotson as a corporate labor counsel, alleging that his career had been "dedicated to the subjugation of workers in their relationship with employers." No such evidence turned up.

THE NEW CHAIRMAN says: "It is well known that I think labor relations in this country are too adversarial. It's no secret that I think the labor board has been a factor, has officiously involved itself in areas and situations that would have best been left to the parties to work out their own solutions. If employes choose collective bargaining, the labor board, consistent with the law, ought to show a great deal of restraint about involving itself beyond that point. I think we should not do things that encourage people to take a litigious approach to industrial relations."

And, Dotson says, the health of the enterprise to which management and labor look for jobs is not given sufficient consideration "when you approach every problem with a lawyer at your side."

Noting the severe economic problems buffeting major American industries, Dotson adds: "I don't think it's in the best interest of wage earners for us to continue to lose industries because of our inability to solve our labor problems, which has been a key factor with most of the industries we've lost."

He blames government agencies, including the NLRB, for contributing to a failure in this country to understand "the laws of economics, shifts in markets and the ability of others to produce and compete." In some cases, Dotson says, the effect of actions by the NLRB and other agencies has been to make "intelligent economic behavior illegal at the ultimate expense of the workers involved." And, he says, "We can't continue doing that." □

The push-button approach to cutting your addressing costs.

Just load any copier with Avery Copier Labels and type your mailing list utilizing the master guide enclosed. All set? Now, push "start" and begin copying your masters onto Avery self-adhesive labels.

It's a fast, efficient method. And a sample pack's free.

Charles Cobb, Purch
THE MACHINE DRILL
7426 Varna Avenue
No. Hollywood, CA

M. J. O'Leary
DURA-STA
521 E. 6th Street
Los Angeles, CA

Barry Miller, Sec-
E AND H BRASS FOUN
727 Shasta Street
Redwood City, CA

Robt. Burkhardt, Operati
BURNS TOOL CO.
12890 Magnolia Ave
San Diego, CA 92

Ray Foot
CAMBR
13

CLOVE
23310 Ma
Torrance, C

Tom Ryder, Partne
COLUMBIA CHEMICAL
4629 Grove Street
Oakland, CA 9135

Gaylor Cope, Cred
COOKBRITE
214 Hawaiian Ave.
Wilmington, CA 9

Frank Logan
DALE CO.
16110 Manning Way
Cerritos, CA 907



Sample our system. Free.

Avery Copier Labels end the waste of retyping mailing lists. For a free sample pack, just complete this coupon and mail it to: Avery Consumer Products Division, 777 East Foothill Boulevard, Azusa, CA 91702. Attn: V. Forrest.

Name_____
Company_____
Address_____
City_____ State_____ Zip_____
Phone (_____)_____
NB7

Avery — An Avery International Company, Consumer Products Division

Can't Congress Cope Anymore?

Ineffectiveness on Capitol Hill is affecting many issues that are important to business planning.

By Seth Kantor



PHOTO: GARY KEFFER

TECHNICALLY, we're in a shutdown mode." A federal budget official thus described the situation in nine government departments late last year when Congress was unable to agree on extension of stopgap funding authority. That authority itself had been provided when the lawmakers failed to pass regular appropriations bills by the start of the fiscal year.

Employes of the affected agencies were told to take their time about shutting down operations when the stopgap authority expired, however, and an interim funding bill—that is, a temporary substitute for the temporary substitute—was enacted within four days.

Although congressional inability to meet deadlines does not always threaten a shutdown of vital government activities, it is part of a complex of Capitol Hill problems that are raising serious questions about the lawmakers' ability to deal with the increasingly difficult problems of a nation in the throes of fundamental economic and social change.

The question, in simple terms, is whether Congress can cope, and the answer is of profound importance to business and business planning. The lawmakers remain far apart, for example, on a fiscal-policy resolution that was due last May 15. Though business is looking to that resolution for important signals on taxes, spending and deficits, there is doubt on whether it will be passed at all.

Major environmental laws originally scheduled for renewal last year are yet to be acted upon.

It has been more than a year since the U.S. Supreme Court struck down a new bankruptcy court system, but Congress has yet to come up with a replacement, and the bankruptcy courts are operating under a legal cloud.

Although both House and Senate approved repeal of a requirement for withholding federal income taxes on dividends and interest, the two houses had not agreed on the exact language of a repeal bill within days of the July 1 effective date for the start of withholding. The American Bankers Association reported, as the deadline neared without final action, that member institutions were growing more and more



PHOTO: DAVID VALDEZ

Ex-Sen. Abraham Ribicoff testified (top) that the Senate is "an institution out of control." Majority Leader Jim Wright says House reforms spawned new problems.

alarmed as they faced decisions on whether to take costly steps to prepare for withholding.

Similar examples of procrastination and indecision run through many other areas within congressional jurisdiction. Construction of the Clinch River breeder reactor was authorized by Congress in 1972, and $1.5 billion has since been spent on the project, which will produce more fuel than it consumes in the process of generating electricity. But Congress debates anew each year the question of whether the project should be carried out, and the possibility that it might be written off at substantial cost to the taxpayers remains a threat this summer. Shutdown costs alone would come to $300 million.

And the lawmakers do not do much better when it comes to bringing a degree of certainty to their own affairs. They have encountered particular difficulty because of their constant search for ways to enhance their own incomes while avoiding the political backlash of voting to raise their own salaries.

One year it was a law that gave members of Congress highly favorable tax treatment on living expenses in Washington, without the necessity of a detailed accounting. They backed down on that scheme under pressure of strong public protests.

Last year senators waived a $9,138 annual pay raise in exchange for removal of limits on outside earned income from speeches, articles and other sources. When reports this year showed some members making more from the outside sources than from government salaries, the senators retreated from the unlimited earnings approach and voted to cap such income at about $21,000 a year.

WHAT IS THE fundamental reason for the growing number of signs of ineffectiveness and indecision on matters both large and small? There is no single answer, but the lawmakers themselves are becoming aware of the problems. The fact that several polls show Congress as one of the least admired American institutions is undoubtedly one reason for that concern.

Interviews with present and past members of Congress show that they consider the following to be among the reasons for current problems in the national legislature:

- Lack of effective leadership.
- Excessive workloads.
- Inadequate planning.
- Self-inflicted bureaucratic restraints.
- Technology lag.
- Ego feeding.

Some on Capitol Hill offer breezier explanations of the worsening legislative clog. For example, an aide to House Speaker Thomas P. O'Neill was asked why no action has yet been taken on extending the Clean Air Act, a landmark piece of environmental legislation. His reply: "Clean air just slipped through the cracks."

But others see deeper causes for the legislative problems.

Lack of leadership is mentioned frequently. Some describe it as a collapse of party discipline. Two Texans are regarded as the last of the strong leaders who maintained discipline and expedited legislative decisions through a carrot-and-stick process—House Speaker Sam Rayburn and Senate Majority Leader Lyndon B. Johnson.

The tenor of their approach was summarized in Rayburn's legendary advice to newcomers: "If you want to get along, go along."

> "Senators have changed . . . they know a little bit, but not enough, about anything."
>
> —Ex-Sen. James Pearson

A changing political atmosphere ended that era. More and more senators and representatives have won election to Congress in recent years with the support of campaign organizations they built themselves, and not with the backing of traditional political committees that could enforce discipline.

As a result, today's congressional leaders tend to spend much of their time as negotiators and brokers, rather than in demanding passage or defeat of bills on their own agendas. While more democratic, that system makes the legislative timetable much more uncertain.

Individual members, meanwhile, are inundated with demands on their time as a result of their increased responsibilities. Some members think those demands are excessive, especially when it comes to committee assignments. Sen. Mack Mattingly (R-Ga.) says, "The Senate needs to reduce the number of committees and subcommittees. I currently serve on 13 of them. That is just too many."

Former Sens. James Pearson (R-Kan.) and Abraham Ribicoff (D-Conn.), who surveyed Senate procedures at the request of their ex-colleagues, said the Senate lists a staggering total of 1,154 committee assignments and subcommittee assignments for its 100 members.

The result, says Pearson, is that members "can't give thoughtful consideration to anything. . . . Senators have changed from being specialists to generalists—to where they know a little bit, but not enough, about anything."

OTHER CONGRESSIONAL problems are of the lawmakers' own doing. The Watergate era and its aftermath brought a rush of reform moves designed to assure open government. But, says House Majority Leader Jim Wright (D-Tex.), "Some of the things done in the name of reform in Congress have really created new problems."

An example, he says, is the sequential referral system, under which a bill can be sent to more than one committee with jurisdiction in the area covered by the measure. The idea was to permit more than one committee an opportunity to review a measure and not let a single panel pigeonhole it.

In practice, however, the system gives opponents of a bill a second chance to kill it after it has been cleared by one committee.

"Sequential referral is often used as a tactic by senior staff members on various committees to battle for control of legislation," says Wright. "These aides conduct turf battles, and frequently they can slow down a whole congressional process in their fights over jurisdiction."

Concern over turf and jurisdiction is never too far from congressional deliberations, and some members see it as contributing to the problem of an excessive bureaucracy.

Ribicoff points out that every member of the majority party in the Senate is assured of the chairmanship of at least one committee or subcommittee, and usually several of the latter. That status earns them all the title—highly prized on Capitol Hill—of "Mr. Chairman."

"Every member is made to look like a hero back home with all the assignments handed out," Ribicoff says. He and Pearson have recommended that the number of committees be cut from 24 to 13 and that members be allowed to serve on no more than three.

Most senators now serve on four committees. Each of the 435 representatives serves on two committees at most, and many are members of only one committee.

As the number and the responsibilities of congressional committees proliferate, so does congressional staff, which is a frequent source of comment by critics. They argue that senators and representatives are too busy to deal with the many demands on them, and

many important decisions fall to staff members.

Over the past 10 years, the number of permanent congressional committee staff members has grown from 1,750 to more than 4,200, as the number of areas in which Congress is involved has increased. Defenders of the system argue that the expertise of staff members in technologically complex areas, such as environment and energy, is needed to help members weigh decisions.

BUT Sen. Malcolm Wallop (R-Wyo.) sees the staff explosion as part of the problem: "The staff is all very bright, very capable and frequently very bored. The boredom produces mischief, and the mischief adds to workloads already too large for the best intended legislator to be fully informed at all times."

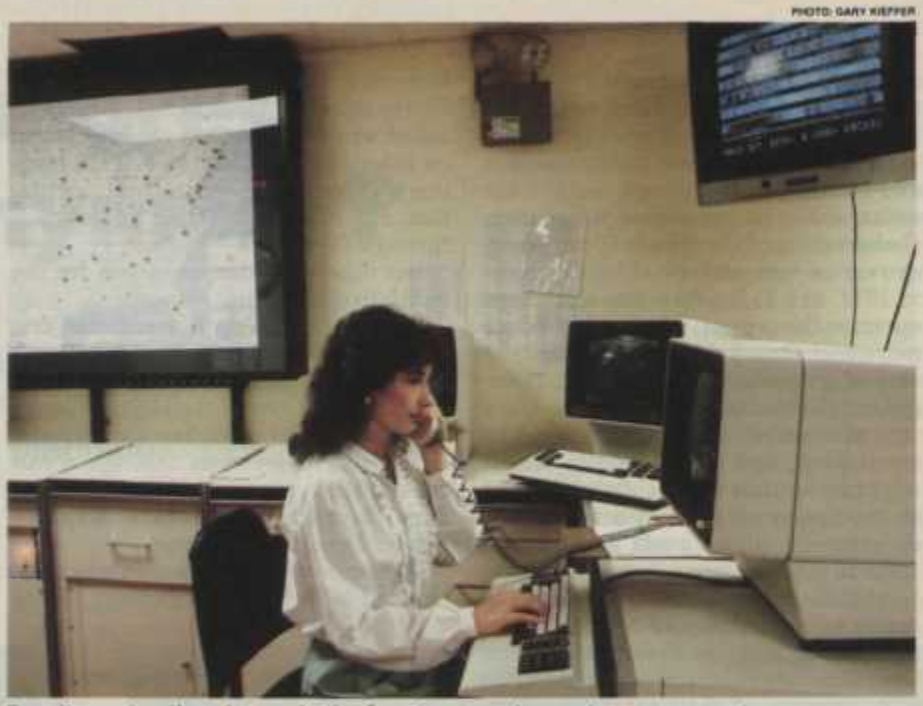
Though staff members help keep the members up to date on innovation, Congress itself does not appear to be doing too well in that area. Although Congress has acquired computer systems, Georgia's Mattingly says, "The average Senate office has an antiquated computer system, perhaps 10 years behind the state of the art, and this severely limits us."

Sen. Mark O. Hatfield (R-Ore.), chairman of the Senate Appropriations Committee, agrees that the computer systems have been a problem, but he sees signs of improvement. Last year, he recalls, the House and Senate produced differing figures on the budget because their computer systems were not compatible, and both produced figures different from those provided by the Office of Management and Budget. That problem is being straightened out this year, Hatfield says.

On the other hand, Sen. Jesse Helms (R-N.C.) says, "Computer technology may be helpful, but the Senate's problems lie more with the priorities of senators than with rules or technology."

And because so much of the congressional problem of reaching decisions in timely fashion is associated with fiscal issues, any changes to speed the legislative process in that area are likely to be among the top priorities in both houses of Congress.

PHOTO: GARY KIEFFER



Despite vast outlays to create the Senate computer center, many senators complain that their office computers are years behind the state of the art.

Torrents of Talk: Pro and Con

It was one of the more acrimonious exchanges in the recent history of the Senate, which likes to consider itself a courtly forum whose members can differ on issues without loss of dignity or sociability.

Sen. Alan K. Simpson (R-Wyo.) declared: "Seldom have I seen a more obdurate, more obnoxious performance." The target of that remark, Sen. Jesse Helms (R-N.C.), countered that his critics were more interested in leaving for home than in a thorough discussion of the issues.

The clash resulted from Helms' use of one of the most powerful parliamentary weapons available to a senator, the filibuster, in an unsuccessful but protracted effort to block enactment of a gasoline-tax increase in Congress' lame-duck session last year.

Although the gasoline-tax bill was eventually passed, the intensive filibuster activity once again raised the question of the proper role of that tactic in the legislative process. Any study of ways to make Congress more efficient inevitably gets to the question of whether the Senate should adopt the practice of the House of Representatives, where a majority can limit the time allowed for debate of an issue.

Sen. Henry Jackson (D-Wash.), who spent 12 years in the House before moving to the Senate 30 years ago, says the filibuster can lead to "institutional paralysis" in the latter body.

Helms argues, however, that the Senate "was intended to be a deliberative body. It was by design that the rights of the minority, even a minority of one senator, were to be protected."

The filibuster is cited by its defenders as the only way that senators can make a case under the threat of what they call "the tyranny of the majority."

Perceptions on the filibuster have changed over the years, as have procedures by which the Senate can force the termination of debate. The first cloture rule, adopted in the wartime atmosphere of 1917, allowed two thirds of senators present and voting to end debate.

Between 1949 and 1959, it took two thirds of the entire Senate, which grew from 96 to 100 members during that period. From 1959 to 1975, the requirement of two thirds of members present and voting was again in effect. Since 1975, it has taken three fifths of the entire Senate membership—60 members—to invoke cloture.

For many years the filibuster was perceived in conservative-versus-liberal terms, with the former favoring its use and the latter seeking ways to make terminating debate easier. The lines have blurred in recent years, however, with liberals using the tactic to serve their own purposes.

Filibusters like the one that delayed the adjournment of the Senate before Christmas last year bring recurring proposals for change, but there does not appear to be sufficient support for—or interest in—further changes at this point.

There is disagreement, however, on what might constitute reform. In the House, chairmen of eight committees are backing a proposal that would undercut the sweeping powers of the House Budget Committee, which has assumed the role of first among equals.

The Budget Reform Act of 1974, passed to give Congress an effective method of dealing with broad fiscal policy planning, created budget panels in the House and Senate. Those committees have authority to set total spending and revenue goals, and to force other committees to implement those goals. That procedure represented a major loss of power for many of the traditional committees, whose chairmen are now trying to get some of it back.

The Pearson-Ribicoff report would go even further in undermining the Budget Committee in the Senate, turning the panel into a subcommittee of the existing Finance Committee, which has jurisdiction over tax matters.

There are other members, however, who favor changes that would strengthen the existing budget committees. One proposal would establish a two-year budget cycle to give more time for proper planning and debate.

PLANNING has not been one of Congress' high priorities. Critics argue that members tend to allow issues to reach crisis proportions, as the Social Security financing problem did earlier this year, before acting.

Sen. Lloyd Bentsen (D-Tex.) is one such critic: "Too often, we conduct our business in a day-to-day, crisis-to-crisis fashion. We need the capability for more planning, both long-range and short-range." The nation would be better off, he says, if Congress were to address early "some of the problems and situations that we anticipate a year or a decade down the road."

Students of the legislative process anticipate that more effective management techniques will come to Congress through the budget process, where most of the major problems have occurred. They also see the likelihood of the adoption of a two-tier system, under which part of an annual session of Congress would be reserved for the introduction and committee consideration of bills. The other phase would be taken up with floor action.

Reagan administration success in shifting responsibilities back to the states and in curtailing the growth of federal programs could be reflected in a diminution of congressional staff.

But not even the most optimistic advocate of congressional management reform anticipates a utopia of modern efficiency and administration in what are essentially two committees—one with 100 members, the other with 435—trying to arrive at a common ground. □

NOW YOU CAN REACH THE LARGEST CLASSIFIED AD CIRCULATION OF ANY BUSINESS MAGAZINE IN AMERICA... FOR ONLY $29 PER LINE.

Nation's Business
CLASSIFIED

To reach 850,000 executive decision makers every month, call today. Deadline is August 1 for September's premiere section.

Toll Free: 800-424-6746
Metro DC: 202-463-5640



PHOTO: KENNETH GARRETT-WOODFIN CAMP



PHOTO: GARY KIEFFER

Fired Up Over Coal

Once a stepchild, coal is playing a growing role in the economy. But it is not without its problems.

By Henry Eason

BENEATH the green rolling hills of West Virginia, near Fairmont, lies a 110 million-ton chunk of coal called Loveridge Mine. Several miles in from the mine's entrance—and 800 feet beneath the surface of the earth—there is a machine that symbolizes a decade of revolution in the American coal industry.

Part of an automated "long wall system," the machine grinds like a great ice shaver back and forth along a wall and drops coal onto a conveyor belt, at the rate of more than 12,000 tons a day. The half-dozen workers who operate the system are a far cry from the miner whose plight Tennessee Ernie Ford sang about in "Sixteen Tons."

In 1973, when the Arabs embargoed oil and the West was casting about frantically for alternative fuels, the United States mined 598 million tons of coal. Last year, despite the recession, the coal industry produced a record-breaking 833 million tons.

By the end of the century, the Department of Energy says, over 2 billion tons of coal will be needed every year, mostly to generate electricity in this country and in other Western industrialized nations. That would be a nearly fourfold increase in a quarter-century.

After World War II, nuclear power, oil and natural gas steadily eroded coal's one-time dominance. But cheap oil grew costly, thanks to the Organization of Petroleum Exporting Countries, and natural gas prices kept climbing, too. Concern over nuclear safety soared when the Three Mile Island nuclear power plant in Pennsylvania malfunctioned.

Suddenly, recalls National Coal Association President Carl Bagge, "we were respectable." Industry came to see coal as the pathway to American energy independence. With the encouragement of the Nixon, Ford and Carter administrations, much of the coal complex, from mines to export piers, was retooled.

Companies like Pittsburgh's Consolidation Coal moved speedily to long wall systems. Railroads placed orders for thousands of coal cars. Port authorities and companies built docks. Young men and women flocked to the mines for jobs, bringing new blood to an aging miner population. The coal rush created a newly invigorated coal industry infrastructure.

America is the OPEC of coal, industry leaders boasted in speeches, referring to the more than 4 trillion tons of coal lying beneath U.S. soil—a third of the world's reserves.

THEN THE RECESSION reached the coal fields, with a vengeance. Factories from Tokyo to Cleveland stockpiled as much coal as they could and then refused to place new orders. Last April, coal industry unemployment topped 32 percent, hitting hardest the many small firms among the operators of the country's more than 3,000 mines. The work force of Consolidation Coal, the industry's largest employer, dwindled from a peak of 17,000 to 12,000 this year.

But by 1984, predicts Consolidation Board Chairman B.R. Brown, "we'll be coming back in good shape."

Adds Bagge: "The key is the econo-

PHOTO: GARY KIEFFER



ns to double coal output by century's end mean shipping ust expand on rails, roads and waterways (the barge is on e Ohio River). Automated "long wall" mining like that at e Loveridge Mine (above) markedly increases productivity. alls are chemically coated for healthier mining.

my. That's the magic that will make it happen."

A coal recovery will have to happen, says Sen. John Warner (R-Va.), chairman of the Senate Energy and Mineral Resources Subcommittee. In the symbiotic relationship that exists between the economy and energy, he says, the only way the economy can improve steadily is with a growing amount of coal for electricity generation, exports and direct industrial use.

Warner asks: "If coal can't do it, what will?"

He warns, however, that "improvement in American coal competitiveness must be evidenced throughout the whole coal chain, from mine to end use, covering production, transportation, utilization and marketing."

Coal will have to fight its way through a whole tangle of problems associated with boom time growth if it is to live up to expectations that it will be, as Warner puts it, "the energy source that leads us out of the current recession."

Bagge of the Coal Association was probably exaggerating—but not by much—when he said recently that the industry's top three problems are "acid rain, acid rain and acid rain."

Some scientists believe sulfur released from burning coal causes acid rain, which in heavy concentrations can harm lakes and fish in them. Coal industry leaders contend that there is insufficient evidence to point to coal as the sole culprit.

Energy Secretary Donald Hodel warned recently against "premature restrictions on coal-fired power plants." He said, "The [cleanup] cost per year to the consumer can be enormous and, unfortunately, once paid, has to be paid on and on in interest costs, in increased maintenance and in capital costs." He added: "If it turns out that we have spent the money solving the wrong problem, we won't have done our society a darn bit of good."

According to some government and coal industry sources, the cleanup cost could be so high as to substantially injure the coal market.

Coal producers are bracing for passage of some form of acid rain control legislation in this session of Congress.

Mining companies are also complaining bitterly that partial deregulation of railroads has allowed shippers to raise freight rates, thus putting U.S. coal producers at a disadvantage as they compete with Australian and South African producers for prime markets in Western Europe and Japan.

The railroad industry, recovering now from chronic financial woes, insists that its rates are fair, given the huge investment in equipment its carriers made to carry the increased volume of coal. "Rail rates have gone up less rapidly than coal prices," says William Dempsey, president of the Association of American Railroads.

But Bagge, who clashes frequently with Dempsey over the issue, contends that the Interstate Commerce Commission is "a wholly owned subsidiary of the Association of American Railroads" and permits any rate hikes the carriers demand.

THE COAL INDUSTRY'S answer is the coal slurry pipeline, an emerging technology to carry coal mixed with water from mine to user. The technology's future appears to be snarled in Congress. A key question is whether the pipelines should have federal eminent domain status, which would permit them to route a pipeline across several states. (See page 36.)

Coal exports will not increase, the coal industry fears, unless the country's harbor channels are dredged deeper. Giant coal ships that have given South Africa, Australia and Poland an exporting edge can navigate only in channels at least 55 feet deep. The industry is opposed to a Reagan administration proposal to require port users to bear a substantial cost of dredging harbors.

If the industry can work through its bottlenecks with minimal loss of production, the market appears bright for at least the next couple of decades.

Energy Information Administration statisticians believe that coal has the potential to grow from 15.6 percent of all U.S. fuel consumed to 34.9 percent by the year 2000, with oil and gas declining moderately.

EIA forecasts moderate increases in the use of coal to heat residences and commercial buildings. It foresees a 4 percent increase in direct coal use for boilers.

The agency predicts that U.S. consumption of coal, measured in quadrillion British thermal units burned annually, will rise from 12.1 in 1980 to 22.9 in 2000, for electricity production; from 3.3 to 8.6 for industrial use; and from near 0 to 3.2 for synthetic fuels. Use to heat homes and businesses will remain stable at 0.2 quadrillion B.t.u.s annually.

IN A RECENT REPORT EIA cast doubt on the hopes the Carter administration held for a strong market for synthetic fuels made from coal. With oil and gas prices lower and money tight for major capital investments, EIA predicts little interest in synthetic coal fuels for the foreseeable future.

Coal's expansion in the domestic electricity market, as a substitute for oil and gas, will also depend largely on the availability of investment capital for new coal-fired power plants.

Federal forecasters expect the coal export market, though less predictable, to expand impressively. It could double by the end of this decade, Merrill Lynch Economics, Inc., says.

Coal industry spokesmen note that, although the United States exports coal that is costlier than coal supplied by its major competitors, it is a more reliable source. Its shipments are less likely to be interrupted than shipments of Polish or South African coal or Soviet natural gas.

Western Europe is America's most promising customer. Says Bagge: "We all know its energy future is insecure because it imports so much oil from the Persian Gulf region, which is convulsed with instability." He also foresees peril in European reliance on Soviet natural gas: "Is it any more secure than Middle East oil?" At a spring coal industry summit meeting in London, Bagge asked Europeans: Why not buy more U.S. coal?

Bullish, Secretary Hodel forecasts "a great future for coal in the United States and in the world," but he cautions the coal industry: "It is not there just to be plucked like ripe fruit."

Despite heated controversy over environmental and transportation issues, coal—its value as an energy resource rediscovered—appears to have an increasingly bright future. □

The Flurry About Slurry



PHOTO: GARY KUEPER

This employe is at the controls of an automated slurry line within a mining site. The coal industry hopes to span the country with a network of slurry lines.

STUNG BY successive hikes in the rates that the Baltimore and Ohio Railroad charged for hauling coal, Consolidation Coal Company made history in 1957 by opening the world's first coal slurry pipeline from Cadiz, Ohio, to a Cleveland electric power plant 108 miles away. Using hydraulic power, the company pushed millions of tons of crushed coal mixed with water through the pipeline.

Six years later, the B & O itself made transportation history by operating the first "unit train," a high-efficiency system designed exclusively for coal drayage—and it regained Consolidation's business by undercutting by 32 cents the $2.20 per ton it costs to transport coal by pipeline.

The story illustrates both American railroads' ability to respond with imagination to a changing marketplace and the coal industry's ability to prod the railroads into change.

Two decades later, only one slurry pipeline moves coal from producers to customers in the United States—a 273-mile line running from the Kayenta Indian Reservation in Arizona to southern Nevada. Slurry advocates, however, want to develop a massive network that would deliver coal to every region of the country.

The controversy over slurry pipelines has pitted giant American industries against each other, with billions of dollars and hundreds of thousands of jobs at stake.

For seven years, the railroad lobby has blocked coal and utility lobbyists' desire for federal eminent domain powers, which would allow pipelines to cross state lines even over the states' objections. The Alliance for Coal and Competitive Transportation is pushing again this year for congressional action.

Coal companies and utilities argue that a 1980 law partially deregulating railroads has allowed the Interstate Commerce Commission—a federal agency they say is strongly influenced by the Association of American Railroads—to approve excessive rail-rate increases.

Climbing transportation costs, coal interests say, are inhibiting domestic coal use and crippling American export opportunities.

A recent congressional study says that "coal mined in South Africa can be transported some 4,000 miles by vessel and burned [by utilities in] the Gulf states cheaper than coal can be mined in Kentucky and shipped by rail to the same utilities."

National Coal Association President Carl Bagge says anticipated expansion in coal production requires the less costly pipeline transportation envisioned in $12 billion worth of planned construction.

"The potential of competition would force the railroads to price their services competitively," Bagge says. "This would hold down energy costs for consumers—particularly electricity consumers."

Over 85 percent of all coal shippers are served by only one railroad, without an economically feasible alternative. But so far, railroad men have argued their case before Congress with enough persuasiveness to stymie the chances of a national pipeline network.

"Nothing in the coal outlook can justify the notion," says Association of American Railroads President William Dempsey, "that a new mode of transportation can be superimposed on the railroad coal-hauling business without serious harm to existing transportation, which will lose most of its growth opportunities and some of its existing traffic." Approval of a pipeline network could cost railroads 70,000 jobs a year, he adds.

RECALLING THE IMPACT the shrinking of the Northeast's industrial base had on railroads, Dempsey warns that the loss of a significant portion of coal business would mean "a replay of the depressingly familiar picture from years recently past: increased rail rates coupled with deteriorated rail service."

Further, he maintains, "slurry pipelines would simply skim away the most profitable coal traffic, leaving the railroads, as the true common carrier, to serve those customers not considered desirable by pipeline companies."

Portions of the nation's rail transportation grid would fall into disuse, and coal mining companies would find themselves more captive to pipelines than they ever were to railroads, he says.

Energy Secretary Donald Hodel recently told coal mining executives he is "mildly encouraged" by the promise that pipelines hold for increased transportation, but he insisted that eminent domain powers should remain with the individual states.

And Sen. John Warner (R-Va.), chairman of the crucial Senate Energy and Mineral Resources Subcommittee, says, "I am not convinced that the slurry legislation is beneficial to the coal industry, particularly the Appalachian coal producers." His coal-producing state prohibits construction of coal pipelines.

But Frank Murray, head of a coal research project at Georgetown University's Center for Strategic and International Studies, says competition must be stimulated among coal carriers.

This summer and fall, the contending parties will be lining up other interest groups behind them, from environmentalists, who oppose the massive water use the slurries would require, to construction unions hungry for the jobs that building of the pipelines would create.

Even if the pipeline lobby is successful, most observers say it will be a decade before the American coal industry feels the impact of this new transportation mode. □

—Henry Eason

NOW YOU CAN PROVIDE A SUPERIOR IRA PROGRAM WHILE HARDLY LIFTING A FINGER.



Now that IRAs are available even to wage earners with pension plans, your employees are probably thinking about them right now.

And wondering if you are going to make available an IRA program to supplement their retirement income.

Realizing this, Metropolitan is ready to provide your employees with a program that requires minimal effort on your part and involves practically no cost to you.

It's Metropolitan's Metromatic IRA Program.

All you do is arrange for payroll deductions by your employees. Metropolitan's trained professionals will hold one-on-one interviews with your employees to discuss the benefits provided by an IRA and assist them in establishing their own IRAs for amounts up to $2,000. The administrative details will be handled by Metropolitan and, with your cooperation, the program will be communicated to your employees.

In addition, Metropolitan will provide a sound and attractive vehicle for the IRA contributions–the Flexible Retirement Annuity Contract.

All of your employees who are interested in providing for retirement on a tax-deferred basis will welcome this unusually beneficial IRA program. It features an optional provision that will continue payments to the employee's IRA in the event of total disability. It has flexible options which allow use of the IRA to provide retirement income. Under this program, employees can even continue their IRAs should they leave the company.

Metropolitan, because of its vast financial and human resources, is equipped to serve a company of any size and in any location. Arranging for Metromatic IRA is a simple matter. Just contact your local Metropolitan office and ask to have a representative call.

This is a chance to make a favorable impression on your employees at practically no cost and with virtually no effort.

Metropolitan Insurance Companies

METROPOLITAN REALLY STANDS BY YOU.

Life/Health/Auto/Home/Retirement

© 1982 Metropolitan Life Insurance Co., New York, N.Y.



How To Foil Employe Crime

Inside thefts can destroy a business—and often do. There's no mystery about what to do to prevent them.

LAST APRIL the Gaithersburg, Md., branch of Manpower Temporary Service, the nation's largest supplier of secretaries, honored a smiling Kathy Cody, 29, as its "secretary of the year."

Forty-eight hours later, Cody was sentenced to three years in prison and put on probation after she tearfully pleaded guilty to embezzling $8,762 from a former employer, the Gaithersburg Health Center.

Cody's conviction came as a shock to the people at Manpower Temporary. That company had first telephoned and then mailed a reference request to the Gaithersburg Health Center, but the health center had made no reply.

"When she applied for a job with us," says Mitchell S. Fromstein, president of Manpower Temporary, "she was asked a number of questions on a form. One was whether she had ever been convicted of a crime. Her reply was no, which was correct because she had not been convicted of anything at that point."

Fromstein says the Cody episode was "a bizarre and unpredictable happening." His company placed about 350,000 temporaries in jobs through 589 U.S. offices and several hundred offices in other countries last year, he says. "I think we had something like six reported incidents of theft, each of them under $100."

However bizarre, Cody's case was not really that unusual within the context of the entire American economy.

Washington attorney August Bequai, an analyst of white-collar crime, estimates American workers are stealing $41.8 billion a year, or more than $800 million a week. U.S. Commerce Department experts say the estimate is on the conservative side.

Police consultant Margaret Kenda, in her just-published book, *Crime Prevention Manual for Business Owners and Managers* (American Management Associations, New York), warns that "a given business may be losing as much as a third of its profits to internal crime. Perhaps as many as 30 percent of all business failures are the direct result of inside theft."

Most businesses that fail are "small firms [that] are particularly vulnerable because of lax controls," says *The Small Business Reporter*, a publication of the Bank of America in San Francisco.

Statistics show that most employes who steal are, like most auto thieves, young and not thinking very far ahead. Most don't start out intending to victimize the company, but once they see how easy it is to get away with an occasional crime, it is hard for them to stop. They don't always think about the consequences of getting caught.

Kathy Cody's case was typical. She told Montgomery County Circuit Court Judge James McAuliffe that in 1982, when she was working at the health center, she was having money problems. She pocketed small amounts paid in cash by clients, fully intending to pay back the money, yet never doing it.

Siphoning off money in that fashion is not the most prevalent kind of employe thievery. The most common crimes are committed by hundreds of thousands of American workers who don't think they are doing anything really wrong when they run their Christmas card envelopes through the company postage meter, take home substantial stationery supplies at the start of their children's new school year or cheat on expense accounts.

Up to 30 percent of the nation's employes are hard-core pilferers, according to a Justice Department report, and up to 80 percent "will become involved in employe theft when no active preventive security measures are employed."

The Justice Department says its findings are based on information it has received from "a number of professional agencies in the security field."

Says Richard Fisher, vice president of Brock International Security Corporation, of Middlebury, Vt., "Employes take from the company for four reasons—need, greed, temptation and opportunity. A company can control the last two."

BETWEEN 35 and 40 percent of American business establishments screen job applicants through tests that are designed to indicate the applicant's trustworthiness. By far the most controversial of these tests are those done with the polygraph—the lie detector.

"With unemployment currently at a still unacceptable rate of 10.2 percent, it is unthinkable that individuals applying for jobs in private industry often find it necessary to submit to the intrusion and intimidation of a polygraph test to



PHOTO: GARY KEPPER

return to the work force," complains Rep. Stewart B. McKinney (R-Conn.).

McKinney has introduced legislation to ban use of the machine as a hiring tool. Legislatures in 16 states have already enacted such a ban.

Potential employes who have undergone polygraph exams "frequently admit to feelings of fear, intimidation and worthlessness after the experience," says McKinney. "I do not believe an individual should have to surrender his constitutional right to privacy to pursue employment in this country."

Although evidence gathered through use of polygraphs is not admissible in court because the machines are not considered wholly reliable, a number of major U.S. companies use polygraphs to test job applicants and current employes, often when a job requires repeated handling of money from customers.

But perhaps the most sophisticated testing in the 1980s is being done with paper and pencil, through questions carefully constructed by psychologists and criminologists to plumb the job applicant's attitudes toward gambling, drinking, drugs and dishonesty.

Carl Stanton Klump, author of one of those tests, says that people who regularly engage in criminal behavior tend to share attitudes toward such behavior. Klump and the Stanton Corporation of Chicago have produced a widely used 97-question pre-employment survey that asks questions ranging from "Do you agree with the old proverb: 'Finders keepers, losers weepers'?" to "If a person is fired for stealing, do you think the company should tell the next employer if they ask why he left?"

A theme that runs through experts' advice is: Don't be lazy about making it tougher for employes to steal. Another theme: Be alert to deviations from a normal pattern of conduct.

"Internal dishonesty has many faces," says nationally known security consultant Saul D. Astor, "but whatever form it takes, some deviation from normal patterns must appear. It is to these deviations, these signals, that company executives must be sensitive and must react."

Margaret Kenda says that most pilferers "probably feel a certain degree of loyalty to their company ... [and] have no desire to hurt other people. They probably don't even think of themselves as 'real' thieves. Security controls can stop them. A brighter atmosphere can change their ways."

Brock International's Fisher suggests that one way to brighten the atmosphere is to use a soft sell—appeal to employes through payroll inserts and advise them how the cost of internal theft eats into funds available for company growth and increased wages.

Some companies have installed a telephone hot line so employes can call in anonymously and report thefts. But many honest workers find such "snitching" repugnant, and the technique can be misused by a vindictive employe who wants to cast suspicion on another for purely personal reasons.

In some cases, companies have established theft counseling offices where errant employes can be helped instead of fired. Like the problem drinker or drug user, the sticky-fingered employe who otherwise is a hard worker may get a second chance.

Manpower Temporary Service's Fromstein emphatically agrees with that approach. Does Kathy Cody, a secretary of the year, rate a second chance with him? "You bet your life she does," says Fromstein. "Her record with us is good." □

—Seth Kantor

To order reprints of this article, see page 63.

A Checklist for Security

Here are 12 tips, based on advice from a number of experts, on how to discourage employe dishonesty:

- Check applicants' references more closely.
- Make employes accountable for equipment assigned to them.
- Be aware if employes are living beyond their means, with extravagant habits.
- If your bookkeeping is computerized, don't have the same person handle accounts payable and accounts receivable.
- Conduct frequent inventories.
- Avoid using price tags that can be switched on goods easily.
- Realize that the worker who doesn't take vacations or who works nights and weekends may not be zealous but just covering up falsified records.
- Don't allow several cashiers access to a single cash drawer.
- Be wary of moonlighting employes who may be taking your supplies for use in their own enterprises.
- Tighten security. Don't use business keys that are easy to copy. Block access to windows and doors that could make removal of merchandise easy.
- Don't put off moving and logging in new merchandise.
- Keep a close eye on the bookkeeping department. A bookkeeper could program a computer to add pennies to the cost of purchased items and then switch the mounting profits to an outside, separate account.

FARM SUPPLIERS' LAMENT

PIK Packs a Punch

When farmers agreed to grow less this year, that meant they would buy less, too.

By Carol McCabe





PHOTOS: GARY KIEFFER

AFTER U.S. FARMERS agreed to idle 82 million acres of cropland this year under the Reagan administration's Payment-in-Kind program, Agriculture Secretary John R. Block said their response to the program was "beyond my wildest dreams."

But to many businesses that supply farmers, the response has been nightmarish.

A world grain glut, low commodity prices, high interest rates and rising production costs combined to encourage farmers to set aside land equal in area to Iowa, Illinois and half of Indiana. As payment, the government will hand over to farmers feed grain, wheat, rice and cotton from stored surpluses.

The PIK program assured farmers of grain and cotton to sell at harvest time that would have cost them nothing to grow. The government hoped to get out from under staggering storage costs; in April the Agriculture Department estimated savings to the government of more than $600 million in fiscal 1983 and $3 billion in fiscal 1984.

Block predicted at a press conference that smaller grain supplies would mean higher prices for the farmer, as price-depressing surpluses disappeared, yet would have only "minimal" impact on consumer prices. "I expect net farm income will be up this year," he said, adding: "There will be fewer farm foreclosures."

But, Block continued, "there is a down side. The suppliers will not sell as much."

At the beginning of April, the Agriculture Department's Economic Research Service predicted that, under PIK, fertilizer use would decline 12 to 14 percent and some production facilities would close. ERS said the dollar volume of fertilizer sales might drop by an even larger percentage than fertilizer use, since prices would probably soften.

Machinery purchases were expected by ERS to decline only 2 to 3 percent, but use of pesticides was expected to drop 12 to 15 percent and fuel use 8 to 10 percent. Cotton-ginning and rice-drying firms faced a possible 25 percent decline in demand for their services.

Finally, according to the ERS report: "PIK could affect ... possibly 2 to 3 percent of employment in agriculture-related industries."

Six weeks later Block said he had grown confident that the "input industries" that serve agriculture would not suffer under PIK.

Farmers were regaining confidence, Block said, and their confidence was being reflected in increased sales by the firms serving them. He was in a clothing store in Galesburg, Ill., buying a suit, the Secretary said, and the clothier told him: "Farmers are starting to come in and buy. They haven't bought for a year and a half."

This new confidence, Block said, "has already been translated into buying decisions for farm machinery and equipment." Block said he had never agreed with the analysts who predicted a 2 to 3 percent drop in farm machinery sales—and, he said, the prediction has turned out to be inaccurate: "They've seen an increase."

SPOKESMEN FOR the farm equipment industry disagree. "The Secretary has not been reading the numbers we have," says Emmett Barker, president of the Chicago-based Farm and Industrial Equipment Institute. He cites figures showing that tractor sales in April,

CAROL MCCABE *is a Washington correspondent for the Providence, R.I.,* Journal *and* Bulletin. *She is writing a book about American agriculture.*



Steve K. Miller (above), who owns Kiowa Service Company, of Kiowa, Kans., is a major dealer in John Deere farm machinery. His contract with Bob Sterling of Hardtner, Kans., (shown at left with his son, Sam) was to sell Sterling three used combines at $85,000 each. But under PIK, Sterling has cut his wheat acreage from 3,000 to 200, so he bought only one combine. He had to pay Miller a penalty of $15,000 for each combine he did not buy. Even so, Sterling will come out ahead.

usually a good month, were down 13.7 percent this year from 1982, a year when farmers had already cut back on buying. For the first four months of 1983, sales of farm tractors of all types had dropped 16.5 percent from the same period in 1982.

Barker was a founder of AGRI-PIK, a clearinghouse based in Atlanta, through which farmers with PIK contracts can buy equipment and supplies on credit before their PIK payments arrive at harvest time. The farmer benefits from the chance to buy machinery at prices that are now, in some cases, at or below dealer cost. A spokesman for AGRI-PIK would say only that activity there "reflects the trend in the industry."

At International Harvester, which has a similar plan to encourage buying of its equipment, a spokesman says Harvester hopes that PIK will help the depressed farm equipment industry in the long run, but he adds: "The highly leveraged farmer will probably pay debts and may not consider equipment purchases until the end of the year."

Steve K. Miller owns the Kiowa Service Company, one of North America's largest John Deere dealers, in the wheat country at Kiowa, Kans. He said in mid-May, a month before harvest time: "I'm sitting on $7 million worth of combines. Our business is probably off 60 percent from last year, and we see nothing in the future to make us think things are going to change."

Selling combines in a year when farmers have idled 32 million wheat acres, Miller says, is like selling Christmas trees in July: "You can't sell anybody a Christmas tree then because he doesn't need a Christmas tree."

Miller calls himself "an adapter, not a whiner," but agrees with other suppliers that PIK, which was pushed into place hurriedly to meet a storage crisis brought on by huge surpluses, caught dealers with unnecessary inventories on hand or en route. "We didn't have any chance to plan, didn't know a thing about it until we read about it in the paper," he says.

L. William Lohry, president of Nutra-Flo Chemical Company, a fertilizer producer in the heart of the corn belt at Sioux City, Iowa, explained his delivery problems to a House Small Business subcommittee looking at PIK's impact on such businesses: "We must sell about three fourths of the fertilizer in the six- to eight-week period in the spring before planting.... Fertilizer is shipped and stored in dealer-owned plants starting in August in order to have the fertilizer in place before the spring thaw."

Since 40 percent of all fertilizer is used for corn, Lohry said, PIK will have a "devastating" effect on his business. He agreed with the ERS prediction of falling prices for fertilizer. "Prices have tumbled at all levels," he said, "as each dealer or wholesaler tries to reduce his inventory and maintain his volume.... Bankruptcies will increase as well as takeovers of small businesses by large corporations."

Lohry, who has been with Nutra-Flo more than 30 years, says he has never seen anything like the effect of PIK. "We have endured floods with 8 feet of water in my office. We had fertilizer tanks collapse and release 10,000 tons of fertilizer. We have endured fires ... withstood embargoes, high interest rates, imports. Compared to those calamities, I consider PIK the greatest challenge to our survival I have ever faced."

Thomas Waldinger, assistant vice president for communications at the Washington-based Fertilizer Institute, says the drop in fertilizer use will probably be greater than ERS estimated. "I'd make a guess of a drop between 10 and 30 percent," he says.

SEED COMPANIES have found themselves in a double bind. Seeds are grown a year before they are needed, so seedmen were caught with big inventories that ordinarily would have been sold to plant millions of acres that were instead idled under PIK. On the other hand, stocks of seed for cover crops like alfalfa and clover were insufficient.

PIK's impact has fallen on small industries as well as large. One example is custom cutting. Typically, units of one or two families invest in combines and work the wheat harvest on contract, moving from south to north. Floyd Barker, a son and a nephew run B.B. & M. custom cutters out of Harper, Kans. They own three gleaners that would cost $139,000 to replace, plus six trucks and two service vehicles. Last year in Colorado, they cut 4,500 acres; this year they will cut only 600. One Kansas farmer who has a contract with them cut his planted acreage from 1,200 to 400; another cut his in half.

On the other hand, PIK has made many farmers at least a bit more optimistic about this year's prospects.



PHOTOS: GARY KIEFFER

L. William Lohry, head of a firm that produces fertilizer, says PIK has cut demand so sharply that it is "the greatest challenge to our survival I have ever faced."



Custom cutters Floyd Barker (left) and his nephew, John Mills, are harvesting less.

Their PIK entitlement letters are being distributed by a formula tied to peak harvest dates, from about June 1 to November 1.

Thanks to PIK, Lee Plendl, who farms with his two brothers near Maurice, Iowa, will be able to empty storage bins that are now stuffed with 360,000 bushels of corn. "It was almost as good as if we had designed the program ourselves," he says.

The Plendl brothers stored the corn as part of the farmer-held reserve; under that program, farmers are paid storage costs on grain they hold on their own farms as a hedge against a nationwide shortage. With insufficient grain in Agriculture Department warehouses to pay off the unexpectedly large numbers of PIK participants, the government must buy grain from this reserve. Since many of the farmers holding reserve grain took out government loans on that grain, the sales of the grain will often be paper transactions in which no money changes hands but the loans are marked paid.

(In part because of such grain purchases, some experts are saying that PIK's total cost to the federal government in 1983 and 1984 could go as high as $20 billion. That figure would equal loans forgiven, plus the cost of grain bought to meet PIK contracts, plus the cost of moving grain, less the savings in storage costs.)

BRYCE ANDERSON, who farms near the Missouri River on the Iowa-Nebraska border, has set aside about 5,000 acres of corn land this year. By the end of the year, he believes, he will not have done as well as he would have in a year with excellent weather, but he will have done better than in an average year without PIK. "Our returns will be down, but our costs will be cut, so we'll net out better than we would have without PIK," he says, underscoring the suppliers' complaint that their losses are helping to support the program.

Farmers in the breadbasket region laugh at notions that PIK is giving them a year off. Most farmers also have non-PIK crops or livestock. Besides, Anderson says, "there's always work to do. Clear ground, build dams and terraces. We have five years of stuff we could do."

Wheat farmer Lyle Bauer of Harper, Kans., sums it up: "Without PIK, it would have been a disaster. We were in an absolute crisis and something had to be done. I don't think the implement dealers and other suppliers are going to be hurt as bad with PIK as they would have been without. I don't see a lot of optimism, but I don't see the pessimism out here that I did." □

Thinking Past PIK

Payment-in-Kind has been accepted by farmers and suppliers as an emergency measure, but many in both groups are talking of the need for long-range goals for American agriculture.

Thomas Waldinger of the Fertilizer Institute offers a comment typical of suppliers' views: "We endorsed PIK, as all the input industries did. But we feel there must be a strengthened effort to obtain long-term grain agreements. If they just use a Band-Aid like PIK, the wound will eventually reopen. We need an agricultural policy to examine our goals and keep such emergency measures from being needed."

Or, as wheat farmer Lyle Bauer of Harper, Kans., says, "What we need to do is sell grain, not store it."

Agriculture Secretary John R. Block, viewing the prospect of low world demand for wheat coupled with the likelihood of an exceptionally good U.S. harvest on acreage still in production, foresees "some kind of PIK in 1984 in the wheat program. It won't be as aggressive as this year's. It's too soon to say about feed grains. So much will depend on the weather this summer."

Block has announced plans for a meeting of agricultural leaders in Washington in July. He will invite "a broad cross-section of the agricultural industry, a group of 50 to 100, a group that can have a good exchange. I don't expect to write a farm program or anything like that. But I hope we can get a vision of where we're going from here. Is there life after PIK and what might it be like?"

Says Emmett Barker, president of the Farm and Industrial Equipment Institute: "The Secretary should encourage this kind of dialogue. I feel we're about to enter a new era in agriculture that could run for 20 years. The farmer will continue to plant and till, but there must be big changes in information and management. The days of the public's accepting an agricultural industry that is in perpetual trouble are over. There must be changes to eliminate this boom-and-bust cycle, and the kind of dialogue [Block] has proposed would be a beginning step."

Management's new productivity tool

No matter how effective and well-organized you are today, this new management system will help you become even better. Or your money back!

"It's amazingly simple, and it really works." That's a common comment among managers who try the *Executive ScanCard™ System*. It improves personal productivity dramatically—even for those who are well-organized to begin with.

No more missed deadlines

The system serves as a portable "control center," monitoring all your projects, so you can keep on top of everything from start to finish. It helps eliminate missed deadlines, forgotten assignments, and costly last-minute rushes.

Each project is recorded on a separate ScanCard™ project card. The cards are scanned daily, in only a few minutes, to jog your memory on what's due next... from whom... and when. So nothing gets overlooked—*ever!*

Outstanding quality

The system comes in your choice of handsome genuine leather or rugged leather-like vinyl, in a variety of executive colors. Edges are attractively stitched and all hardware bears an attractive and durable goldtone finish.



Free. This handy Pocket Idea™ file with each system. It lets you carry a small supply of ScanCards with you. So you can jot your ideas on cards and merge them into the system later. Puts an end to pockets filled with notes on napkins and backs of envelopes. Each system also is personalized on the cover with your name or initials.

Satisfaction Guaranteed

We are so sure you'll enjoy the Executive ScanCard System that we invite you to try it for 30 days. If, for any reason, you are not completely satisfied, you may return it for a prompt and courteous refund. You take no risk.

Credit card orders phone

800-848-2618

(In Ohio 800-282-2630)

Or fill in and mail this order form to:

Executive ScanCard Systems Dept. #977
6480 Busch Blvd., Suite 200
Columbus, Ohio 43229

Indicate quantity ordered: #977

_____Vinyl Chairman @ $99.95; _____Leather Chairman @ $149.95
_____Vinyl Presidents @ $39.95; _____Leather Presidents @ $79.95
_____Vinyl Directors @ $24.95; _____Leather Directors @ $49.95
(plus $4 shipping & handling for each unit) (Ohio residents add sales tax.)

Color: _____

_____Check or money order enclosed for $_____

_____Charge my: ___AMEX ___Visa ___MC ___DC

Acct. No. _____

Exp. Date _____

☐ Check here if personalization is requested, and enclose name or initials to be imprinted. (Please print clearly on separate sheet of paper.)

Name: _____

Company: _____

Address: _____ Phone: _____
(Sorry, no P.O. box deliveries)

City: _____ State: _____ Zip: _____

Signature: _____

For shipments outside continental U.S. add the following: Canada, Alaska, Hawaii and Puerto Rico $7.50; Mexico $12; all others $18. U.S. and international patents pending. Copyright 1983 Executive ScanCard™ Systems



"The Chairman of the Board"

It's like a traveling office

- Three panels hold 120 projects (more panels can be added)
- Handy appointments calendar and phone index
- Has built in calculator
- Two pocket files for important papers
- Calling card pocket, penholder and space for tablet
- Your name or initials imprinted on front cover
- Includes **Pocket Idea™** file and 500 **ScanCards™**
- Additional cards, panels and calendars are available.
- In black, brown or tan leather-like vinyl or in black, brown or burgundy genuine leather.

In leather-like vinyl	In genuine leather	
$99.95	**$149.95**	(Plus $4 shipping & handling)



"The President"

For management people on the move

- Initially holds 64 projects (more panels can be added, up to 224 projects)
- Includes pen caddy and space for 8½" × 11" tablet
- Your name or initials imprinted on front cover
- Includes **Pocket Idea™** file and 500 **ScanCards™**
- Initially holds 64 projects (expandable to 224).
- In black, brown, tan or burgundy leather-like vinyl or in brown or burgundy genuine leather.

In leather-like vinyl	In genuine leather	
$39.95	**$79.95**	(Plus $4 shipping & handling)



"The Director"

A favorite among middle management people

- Accommodates 48 project **ScanCards**
- Includes **Pocket Idea™** file, pen caddy and 500 **ScanCards™**
- Your name or initials imprinted on front cover
- Additional **ScanCards** available
- In black, brown, tan or burgundy leather-like vinyl or in brown or burgundy genuine leather.

In leather-like vinyl	In genuine leather	
$24.95	**$49.95**	(Plus $4 shipping & handling)

Bringing Minority Firms Into The Mainstream

The Reagan administration is trying to help 600,000 firms get information and resources they need.



Victor Rivera (left) and deputy Theron Bell run the Minority Business Development Agency.

AS A TEEN-AGER in the 1950s, working in his father's small grocery store in Brooklyn, Victor M. Rivera was impressed by the informal network that kept his father aware of how well small businesses in the area were doing.

Salesmen were the conduits. They knew which businesses were successful, which weren't and which were for sale. Two of Rivera's cousins from Puerto Rico, who apprenticed in his father's store, bought their own firms thanks to such information.

The salesmen's grapevine was, Rivera says, the only way that a minority person could get such business intelligence. Rivera, 46, now presides over a nationwide network designed to help minority businesses grow. He is director of the Minority Business Development Agency, a part of the Commerce Department. (The agency, established in 1969 as the Office of Minority Business Enterprise, was renamed in 1977.)

Approximately 600,000 firms, with total annual sales approaching $45 billion, are minority-owned, the MBDA says. It defines a minority business enterprise as one that is owned or controlled by one or more persons who are socially or economically disadvantaged. That term can embrace persons who are not members of a racial or ethnic minority but are disadvantaged for other reasons (culture, chronic economic circumstances). In fact, though, fewer than 2 percent of the MBDA's clients do not belong to a racial or ethnic minority.

The federal agency classifies 21 racial and ethnic groups as minorities, in four broad categories: blacks, Hispanics, native Americans (Indians, Eskimos, Aleuts, native Hawaiians) and Asian Pacific Americans (Japanese, Chinese, Filipinos, Vietnamese, Koreans, Samoans, Guamanians, Laotians, Cambodians, Taiwanese, Indians, Pakistanis, Bangladeshis and Pacific islanders from the U.S. Trust Territories of the Pacific and the Northern Marianas).

"Historically," Rivera says, "minorities have been at a disadvantage in terms of access to timely information about business opportunities, both ownership opportunities and market opportunities. They also generally lack access to resources, especially capital and management and technical expertise. And then, of course, there are the attitudinal biases."

Rivera is trying to change the general impression that his agency's sole purpose is to help minority-owned businesses obtain government contracts. The MBDA does offer such help, but it has expanded its mission to encourage the broad development of the minority business community.

A 1959 graduate of New York University, Rivera started his career with First National City Bank of New York and later was economic research director for Puerto Rico's Economic Development Administration and deputy finance administrator of New York City. He then joined the Small Business Administration as a district director in New York City. In April, 1981, he became national director of the MBDA.

"I'm running this agency like a business," Rivera says. He wants to spend more of his agency's $59 million budget on the 100 business development centers, 6 rural assistance centers, 15 export assistance offices and 10 technology commercialization centers that provide direct aid to minority business.

Key to his efforts are the business development centers, which are located in the areas with the largest minority populations. They are not staffed by MBDA employes; instead, each is run by a contractor—a private firm or a public agency—usually with a $100,000 annual contract. Each center's job is to encourage the formation of new minority-owned businesses and the expansion of existing firms and to minimize business failures among minority entrepre-

neurs. The contractors, who are chosen competitively, apply MBDA criteria to determine whether prospective clients qualify for their services.

Contractors' activities are closely monitored by the MBDA. In the past, Rivera says, the agency and its contractors "put a lot of people in business who probably shouldn't be in business." The 100 contractors will be graded annually as to their effectiveness, and the bottom 20 will have to compete for renewal of their contracts.

EACH CENTER is linked to a computerized directory in Springfield, Va., a Washington suburb, with 23,000 profiles of minority firms, which federal agencies and private industry can tap to locate suppliers. The central system is also tied in with the SBA's Procurement Automated Source System, which identifies small firms qualified to sell to the federal government.

The MBDA is emphasizing greater private sector involvement in developing and expanding minority enterprises. "We need private sector expertise," Rivera says, "whether it is on a volunteer basis or on a paid basis."

Rivera's agency has launched a nationwide campaign to generate 2,500 one-year agreements between the federal government and corporations to help minority-owned firms. "Participating corporations will provide information on opportunities for minority-owned firms through contract purchases, joint ventures and franchising," says Rivera. "They also will be encouraged to make available capital and management and technical assistance." The U.S. Chamber of Commerce will work through its member chambers of commerce throughout the nation to help obtain such agreements.

Last December President Reagan endorsed the MBDA's new thrust and pledged that his administration would encourage the creation of 60,000 minority-owned firms and the expansion of 60,000 existing firms over the next decade. In addition, Reagan said his administration would make available approximately $1.5 billion in credit assistance and $300 million in management and technical assistance to promote minority business development during the next three years.

The administration has set a federal procurement goal of $15 billion in goods and services from minority firms for fiscal years 1983-85. Minority-business procurement by recipients of federal grants and under cooperative agreements could add another $7 billion.

According to Rivera, the federal government bought a record $4.3 billion in goods and services from minority-owned businesses in fiscal 1982, compared with $4.1 billion the year before and $3.1 billion in fiscal 1980. The President has called for federal agencies to increase purchases from minority firms by 10 percent in fiscal 1983 over fiscal 1982. "The President's program," says Rivera, "is to provide incentives to the risk takers, because the risk takers are the change makers, and we need more of them." □

—Grover Heiman

Washing Up—and Moving Up



Kibbie Pillette, with MBDA help, now has the Kibbie Capsule on the market.

Fans of TV's "M*A*S*H" know the opening scene of each episode: A helicopter sweeps in over a Korean peak, and Army doctors, nurses and corpsmen scramble to unload the wounded. The next scene is in an operating tent, with Hawkeye and colleagues dressed in green gowns and sterilized rubber gloves.

In between those two scenes there must have been a washup, which normally takes about 10 minutes. But during the Vietnam War, the Army tested a system that reduced washup time to 90 seconds. Called the Hydroscrub, it is an 80-gallon tank filled with an antibacterial solution; when it is activated, the surgeons' hands are pelted with pressurized solution from hundreds of jets.

The Army patented the system but was at a loss as to how to get it into the hands of the public. There were many obvious benefits for hospitals and patients, particularly in emergency situations, where a minute can mean life or death.

James Kellum, president of Delta Manufacturing and Sales, Inc., of Arlington, Tex., heard of the system in 1976 when he was looking for new opportunities for his firm, which manufactures products for hospitals and the aerospace industry.

Kellum, who is black, turned to the Commerce Department's Minority Business Development Agency for assistance. The agency, under its technology commercialization program, helped Kellum negotiate with the Army for the patent rights.

Now Kellum's firm is gearing up to produce the system for commercial markets. Delta has significantly redesigned the Hydroscrub, has developed its own antibacterial solution and is now applying for a new patent. Kellum is studying the possibility of a smaller unit for use in restaurants and food service operations.

The MBDA also aids minority inventors through the technology commercialization program, and Victor M. Rivera, national director of the MBDA, cites as one example Kibbie Pillette, a black petroleum engineer from Abbeville, La. Pillette had an idea for a device that he felt could save oil companies money and prevent oil spills—a leak detector. His device would be a sealed cover that would encapsulate fittings and other leak-prone sections of oil and gas pipelines.

Private institutions and government agencies were reluctant to finance a minority entrepreneur with an untried idea, so Pillette turned to the MBDA, which directed him to the Georgia Technology Utilization and Commercialization Center. The center is operated for the MBDA by the Georgia Institute of Technology at Atlanta. Its engineers evaluated Pillette's idea and concluded that with design modifications the device had commercial possibilities.

Pillette used this assistance in building the prototype of the device, which he named the Kibbie Kapsule. The Georgia center also helped locate venture capital financing for Kibbie Corporation.

Today 85 Kibbie Kapsules are in operation. Each unit, which sells for $4,000, can detect leaks the size of a pinhole and, when it finds one, shut safety valves and sound an alarm. The Kibbie Corporation, which assembles, distributes and installs the product, employs seven people in its Abbeville plant, and Pillette expects sales over the next decade to total $2 million.



CEOs see recovery, but there is doubt about its strength.

This is a report on the latest Heller/Roper Small Business Barometer, a survey of chief executive officers of more than 1,000 firms that have between 40 and 500 employes.

The survey, designed primarily to show hopes and concerns for the middle four months of 1983, was conducted in May by the Roper Organization under sponsorship of the Walter E. Heller International Corporation's Small Business Institute.

SMALL BUSINESS chief executive officers continue to see 1983 as a year of recovery from recession. Optimism that showed up in January's Heller/Roper survey has intensified, with even larger proportions of CEOs anticipating increased sales, profits and employment levels.

Concern over the size of inventories remains near the two-year low recorded in January, although waiting periods for collecting money due are the shortest in more than two years.

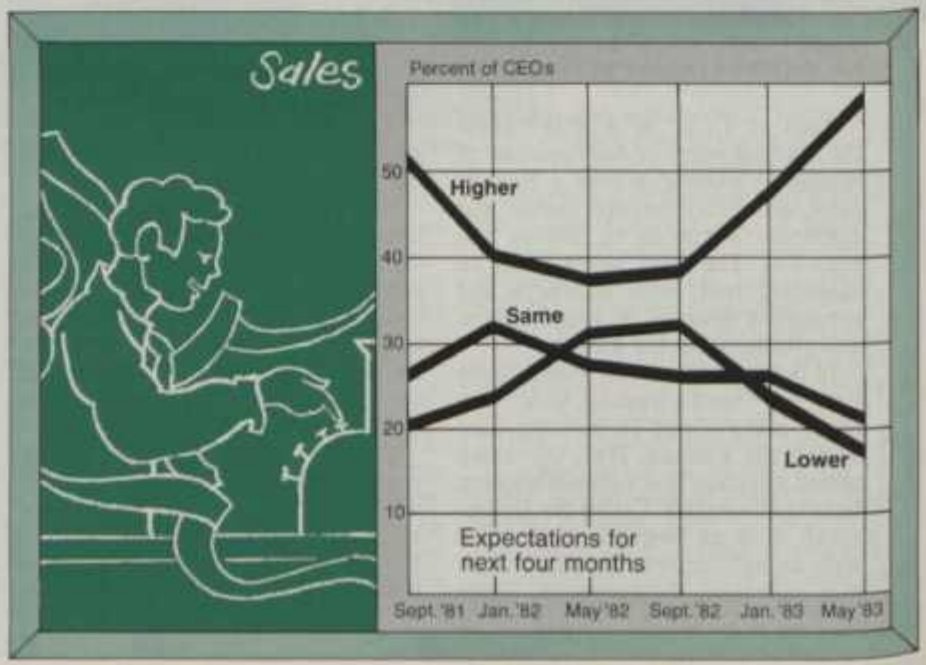
Although the optimism is general—geographically and by type of business—there is widespread belief that the economic recovery has so far been weak and hesitant. In addition, 3 CEOs in 10 say their own firms are not yet recovering.

Sales

A greater proportion of CEOs are now predicting higher sales for their businesses than at any time since the Heller/Roper surveys began 2½ years ago.

Fifty-nine percent say sales in the second four months of 1983 will be above those in the same period in 1982. That is a jump from last January, when 48 percent predicted higher four-month sales, compared with the same period a year earlier, and an even bigger jump from the May, 1982, survey, when the figure was only 38 percent. The previous high of 53 percent was recorded in May, 1981.

Heller/Roper surveys cover all of the United States except Alaska and Hawaii. Expectation of increased sales is up 20 points in the South since January (to 62 percent), 16 points in the East (64 percent) and 10 points in the Midwest (57 percent). It is up only 1 point in the West (to 54 percent); but from last September to last January there was an 18-



point swell in sales optimism in the West, larger than in other regions.

Confidence about sales has grown 13 points among manufacturers since January and 19 points among retailers, but only 9 points among service companies and 1 point among wholesalers.

Profits

For the first time, a Heller/Roper survey shows an absolute majority of small business CEOs anticipating higher profits. Asked to compare four-month profits with those during the same period last year, 51 percent say they will be higher and only 19 percent, lower. This represents a 12-point gain in the higher category since January and 23 points since May, 1982.

Projections of increased profits are appreciably more widespread in every region. Since the survey conducted in May, 1982, the proportion anticipating greater profits has risen 18 points in the East (to 51 percent), 27 points (54 percent) in the Midwest, 25 points (53 percent) in the South and 20 in the West (46 percent).

Optimism on profits has increased 26 points among manufacturers, 12 among wholesalers, 30 among retailers and 15 among service companies.

Asked about profits as a percentage of sales, 41 percent of small business CEOs reply that they expect them to be higher in the middle third of 1983 than in the same period a year earlier. This is the most optimistic view of profits-sales ratios so far recorded in the surveys.

In May, 1981, at the height of business exuberance in the wake of Ronald Reagan's election, 30 percent of CEOs predicted higher profits in relation to sales. The figure also was 30 percent in September, 1981. It dropped to 28 percent in January, 1982, to 26 percent in May, 1982, and to 24 percent last September. Last January it was 32 percent.

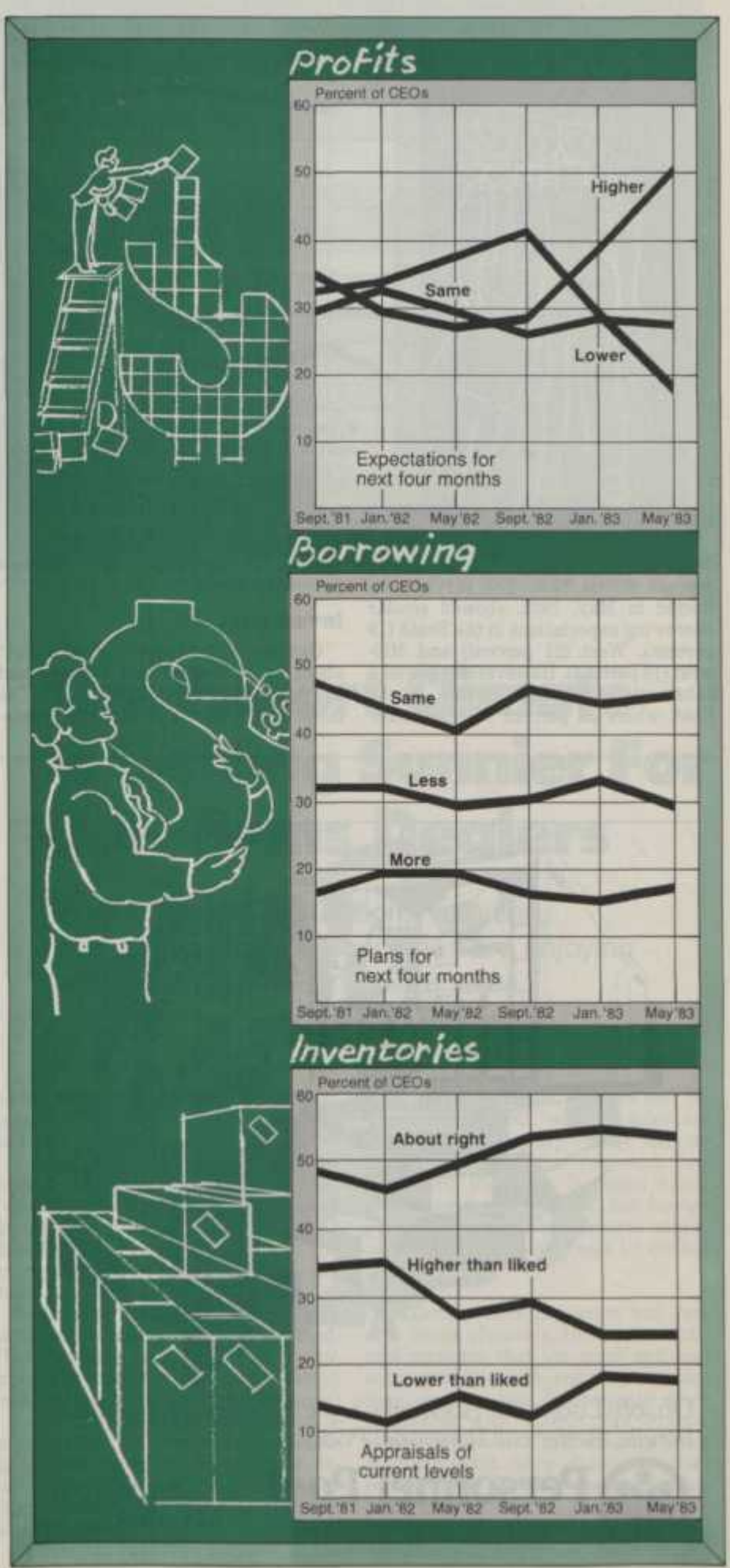
The latest survey shows 35 percent of CEOs predicting no change in profits as a percentage of sales and 20 percent seeing a drop.

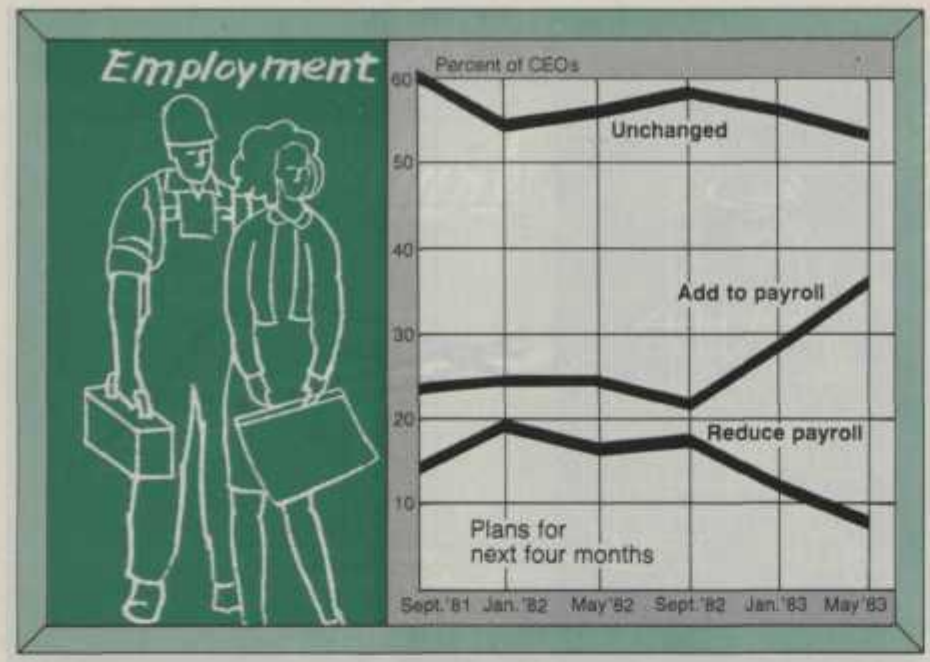
Borrowing

Despite the marked increases in confidence about sales and profits, projected borrowing levels have changed little over the past year. Eighteen percent of CEOs report they plan to increase borrowing during the middle third of 1983 over that in the same period last year. In January, a similar four-month borrowing forecast was made by 16 percent. The figure was 17 percent last September and 20 percent in May, 1982.

The proportion planning to borrow less is 30 percent in the latest survey, as was the case in May, 1982. It was 34 percent in January and 31 percent last September.

Increased borrowing is planned by 20 percent in the South, 19 percent in the





West, 18 percent in the Midwest and 14 percent in the East. The survey conducted in May, 1982, showed similar borrowing expectations in the South (19 percent), West (21 percent) and Midwest (18 percent). However, it showed a substantially different picture in the East, where 24 percent of small business CEOs then expected to increase borrowing levels.

Inventories

Concern about inventories is just about at its level of last January and not far from its level in May, 1982. The latest survey shows 25 percent expressing the belief that their inventories are too high; 18 percent say their inventories are lower than they would like them to be. This compares with 28 percent and 16 percent in the May, 1982, survey.

Worry that inventories are too high is greatest among wholesalers, as it was in past surveys. Thirty-four percent—a percentage identical with that shown in last January's survey—say their inventories are higher than they would like. Among manufacturers, 24 percent say inventories are too high. Among retailers, the percentage is 22.

Employment

Prospects for increased employment continue to improve from a low point reached last September. Since then the proportion of CEOs who say they plan to add to their payrolls is up 15 points, to 37 percent. It is up 8 points since January.

Currently, just 8 percent say they intend to reduce their payrolls, a drop of 5 points from January and 10 from September. As in all past surveys, a majority—54 percent this time—report they expect the size of their payrolls to remain the same.

Receivables

The latest survey shows a median waiting period of 35.7 days for collecting receivables. This drop from the 38.2 days recorded in last January's survey is the sharpest four-month decline in the Heller/Roper Small Business Barometer's history.

Surveys in January, May and September, 1981, showed median waiting periods of 36.9, 39.3 and 38.4 days, respectively. In the same months of 1982, the figures were 39.3, 38.6 and 38.8.

Recovery

Fifty-three percent of CEOs report they have experienced recovery from the recession in their businesses. Another 15 percent report their businesses never were hurt by the recession.

Thirty percent say their businesses have not yet experienced any recovery. More than half of this group, however, say they see signs of an upturn around them. Only 12 percent of those surveyed see no signs of recovery. Another 1 percent see a bottoming out, but no recovery. (Typically, Heller/Roper survey figures do not add up to 100 because of don't-knows and lack of responses to certain questions.)

Although optimists about the economy clearly are in the majority, the optimism is tempered by doubt about the strength of the current recovery. Forty-one percent of small business CEOs feel that the recovery is weak and hesitant, whereas 25 percent call it strong and robust. Another 14 percent say it is somewhere in between. □





PHOTO: ROBERT AZZI—WOODFIN CAMP

With arms orders of $5.5 billion in 1982, Saudi Arabia is America's best customer for weapons like these F5-A fighter planes.

The Export Climate Is Getting Sunnier For U.S. Arms Dealers

Shunned by the Carter administration, firms selling weapons overseas are enjoying new respectability—and more sales.

THE WORLD MARKET for American arms is opening dramatically, bringing a promise of stronger U.S. military alliances as well as an improved trade balance.

Last year American defense contractors signed military export agreements worth $21.4 billion—up from $8.2 billion in 1981. Analysts predict sales this year close to the record-breaking 1982 figure.

U.S. arms exporters, held on a tight leash by the Carter administration, have been in a different situation since the advent of the Reagan administration. "The export climate has turned 180 degrees," says Lockheed-Georgia international programs director Charles Monroe.

The Carter White House issued a "leprosy letter" denying defense firms assistance of American embassies in making arms deals abroad. Also, the Carter administration applied its human rights policy so as to deny many of America's diplomatic partners with authoritarian governments permission to buy advanced weapons made in the United States.

Moving quickly, the Soviets and Western Europeans captured markets long serviced by American arms producers. This shift in suppliers reduced the U.S. military's influence in key regions of the world and loosened diplomatic ties that had been held firm by dependence on American-made weapons.

Rising levels of violence and instability in much of the world are fueling demand for more and increasingly sophisticated arms—particularly in the Middle East.

The research firm of Frost & Sullivan, of New York, predicts that arms purchases in the Middle East and North Africa will exceed $66.1 billion for the years 1982–87, with enhanced opportunities for American sales.

Frost & Sullivan forecast in a recent market survey that the United States "will dominate the Free World share of the Middle East market from 1982 through 1987, because of its role as the principal supplier to Egypt, Israel and Saudi Arabia."

In the Far East, Frost & Sullivan says, export prospects are also good. "U.S. defense systems are overwhelmingly preferred in every country except India [which buys mostly Soviet arms] . . . and U.S. suppliers should find a large market for their products, especially with the relaxation of arms export controls and the simplification of export procedures" under the Reagan administration.

Worldwide, says Joel Johnson of the American League for Exports and Security Assistance, "military sales are active where other exports are slackening off." The global recession has dampened the arms business along with other forms of trade, but foreign governments' security concerns continue to lift sales above those of civilian goods.

AMERICAN arms producers still face many obstacles. Defense contractors complain that too much red tape entangles U.S. trade, and they note that they are often at a disadvantage when competing with nations like France, where government and industry work together much more closely on arms exports than do their American counterparts.

A major long-range challenge looms for American exporters. Increasingly,

countries lacking a strong defense industrial base and the technology to produce advanced weapons are insisting in sales contracts with U.S. firms that components of American weapons systems be coproduced in their countries.

Denmark, Norway, the Netherlands and Belgium are coproducing F-16 aircraft with General Dynamics under an elaborate formula of this kind. It requires that 40 percent of all work done on planes bought by those countries be performed on their soil. It also stipulates that 10 percent of all orders for F-16s placed by the U.S. Air Force and 15 percent of orders from other countries be filled in the four European nations.

Many other countries, including some in the Third World, are winning such arrangements with American and Western European manufacturers.

Says James Mellor, General Dynamics executive vice president for international operations: "In order to get some sales, you have to establish business arrangements where you are going to get downstream competition" and lose markets in the future.

Spain has just agreed to buy 72 McDonnell-Douglas F-18A fighter planes. It is, however, continuing to study a competitive proposal by the German-British-Italian Panavia consortium to sell it another plane, the Tornado, in a deal that would let the Spanish participate in production—despite the Spanish air force's preference for the F-18A.

"The days when you have the best product at the lowest price are bygone," Mellor says. "Now business arrangements are paramount and very complicated."

In addition to requiring coproduction, some countries are securing "offset" concessions—part of the payment to the arms supplier is in goods the buying nation produces, instead of in cash.

Even though such arrangements siphon off some financial gains from the arms trade, State Department and Defense Department officials insist military exports are essential to American foreign and economic policy.

William Schneider, undersecretary of State for security assistance, science and technology, recently told Congress: "Adequately funded, efficiently administered security assistance programs are essential to U.S. defense plans. Without them, our own defense effort would be both far more costly and, in times of crisis, even dangerously crippled."

Schneider added: "Failure to respond to [friends' and allies'] needs would seriously damage our credibility as a leader of the Free World, would increase the chances that U.S. forces might have to be deployed in a crisis and would jeopardize defense cooperation with countries which provide access and facilities to the U.S. military."

An executive of one arms-making company puts it more bluntly: "If you can sell arms and technology, along with operations and maintenance services for them, you have much better control over a country"—control some other seller will get if the United States is outbid in arms sale competition.

Extensive military exports are, compared with costly U.S. garrisons, an inexpensive means of shielding American allies, U.S. officials argue.

U.S. military assets, according to Assistant Defense Secretary Francis West, "can at times be more effectively invested in boosting the defense capabilities of allied and friendly countries than by earmarking them for improvements in U.S. forces themselves. . . .

"They complement and even enhance the investment in our own defense by promoting standardization of equipment, training and logistics, thereby enabling more effective military cooperation with allies in situations of threats to common interests."

Despite such arguments, arms sales—and the Reagan administration's attitude toward them—remain a lightning rod in Congress, where congressmen like Tony Hall (D-Ohio) want to cap what Hall terms the "alarming" proliferation of increasingly lethal weapons in the Third World. Hall calls for talks on conventional arms reduction with both the Soviets and the Western European allies; he sees value in America's setting the pace with unilateral restraints on exports.



PHOTO: PETER MORGAN—PICTURE GROUP

Egypt's Air Force accepts delivery of an AWACS (Airborne Warning and Control System) plane, a highly advanced American radar aircraft.

A RECENT House Foreign Affairs Committee memorandum praised former President Carter's restraint and concluded that President Reagan's export policy relies too heavily on the diplomacy of force, saps U.S. military readiness, imposes financial burdens too heavy for many countries to carry and unnecessarily compromises advanced U.S. military technology.

Unilateral reductions in weapons exports would be a naive and dangerous surrender, others argue. Says one aerospace executive: "The peaceniks say arms exports inflame the world, but if we don't sell weapons, you'd better believe the French or somebody else will be there."

Defense Department officials contend that limiting exports would also increase the price of American weapons and eliminate tens of thousands of jobs, according to a formula that says 50,000 jobs are created for every $1 billion in export business.

West says exports are "a valuable source of income for the United States, contribute to a more favorable balance of payments and provide employment in many sectors of the U.S. economy, while reducing the unit costs to U.S. armed services for weapons and materiel."

The General Dynamics F-16A deal with the Western Europeans shaved an estimated $1 million off the $12 million-per-plane price by increasing assembly line economies.

Emphasizing arms exports' impact on the American economy, Lockheed-Georgia's Monroe concludes:

"Our trade balance and economy are as much a part of our national security as the military." □

—Henry Eason

Japanese officials, acting on their nation's new interest in defense, inspect U.S. Marine weapons.



PHOTO: BART BARTHOLOMEW—UNIPHOTO

Economic Education: Its Time Has Come



Recent surveys show that half the nation's high schools now require economics for graduation. In fact, 29 states have made the teaching of economics *mandatory*.

Teachers Depend on Business

This is why teachers are increasingly looking to business to provide instructional tools containing *practical* economic information—tools that stress the relevance of economics to students' daily lives.

Economics for Young Americans meets their need. A multimedia program widely accepted by both teaching and business professionals, EYA presents a total picture of the business world and how it operates.

Each kit contains color filmstrips, cassette soundtracks, teaching guides and student worksheets on topics ranging from personal *(Check Your Paycheck)* to worldwide *(The Case for Interdependence)* economics. What better way to prepare our future business people and consumers for the important decisions that lie ahead?

Business Leads the Way

Thousands of business leaders have responded to the call for materials by providing *Economics for Young Americans* kits for their local schools.

Why not join them? A mere $40 investment can benefit a school of your choice, and give hundreds of students a stronger appreciation of American business.

Act now, and materials will arrive in time for use during the fall term!

Robert H. Moxley, Project Director (202) 463-5755
Chamber of Commerce of the United States
1615 H Street, N.W.
Washington, D.C. 20062

YES! I would like to provide the students of _____ school(s) in _____, _____ (county) (state) with **Economics for Young Americans** kits.

No. wanted: _____ **Phase II** @ $40 $_____
(Subjects include competition, product pricing, savings and wages)

No. wanted: _____ **Phase III** @ $40 $_____
(Subjects include world trade, investments, different economic systems, and jobs)

TOTAL $_____

NB8783

Economics for Young Americans

_____ Have the U.S. Chamber make distribution.
_____ Have my local Chamber handle the distribution.
_____ Send the kits directly to me.

_____ Bill me.
_____ Payment enclosed. (Make checks payable to Chamber of Commerce of the United States. District of Columbia and California residents add appropriate sales tax.)

Name _____ Phone _____

Organization _____

Street Address _____

City _____ State _____ Zip _____

The Moonlight Shines On White Collars

For extra money or personal fulfillment, more business people are taking second jobs.

By Bruce W. Fraser

PHOTO: DAVID VALDEZ



WITH REDOUBLED energy reminiscent of his baseball playing days, Larry E. Dierker somehow manages to broadcast baseball games for the Houston Astros at night and develop real estate properties by day.

Dierker, 36, a former Astros and St. Louis Cardinal pitcher, has always been interested in marketing. So, in 1981, he left a second job as manager of advance ticket sales for the Astros and formed an industrial development and investment partnership. Working out of his Houston home, he develops small and medium-sized industrial properties.

Does he plan to continue working at both jobs? "If we succeed," he says, "I can do both jobs, and the combination can eventually make us pretty comfortable." Meanwhile, he likes the visibility that broadcasting gives him.

Dierker's second job is no problem for the Astros, according to Arthur Elliott, director of broadcasting. "He hasn't asked for any concessions, and I don't think he has ever missed a game."

The former pitcher is one of the more prominent examples of a growing phenomenon: white-collar moonlighting. Second jobs have become popular among managers, administrators, professionals, technical workers and salesmen.

As of May, 1980 (the most recent date for which the Bureau of Labor Statistics has data), 5.4 percent of the white-collar work force held more than one job, compared with 4 percent in 1970. By contrast, during that period the rate among blue-collar workers dropped from 5.4 percent to 4.1 percent.

"When you look at all multiple jobholders over the last decade, there has been no real change in the rate," notes Paul M. Ryscavage, a bureau economist. "But the rate for white-collar workers has moved up."

Many economists and other experts believe that the recession encouraged managers, professionals and other white-collar workers to seek second jobs; but at the same time, it probably made finding such jobs more difficult. "It's easier to moonlight when the economy is booming," observes Richard Buskirk, a professor of business administration and director of the entrepreneur program at the University of Southern California.

Traditionally, employers have been concerned that moonlighting will lead to higher absenteeism, less enthusiasm for the primary job, increased fatigue and reduced productivity. For this reason, strict company policies forbidding outside work on conflict of interest and other grounds are still very much the norm.

Typical is *Reader's Digest*'s policy prohibiting outside activity "which conflicts with the interests of the corporation or which interferes with the employe's ability fully to discharge his or her duties for the best interests of the corporation."

NOT ALL EMPLOYERS are upset by employes' moonlighting, though. Some share the view of Kirby Warren, a professor at Columbia University's graduate school of business administration, that the benefits outweigh the drawbacks. In a slow-growth economy, Warren maintains, a second job can lead not only to extra money but to personal growth, "a renewed belief in oneself."

PHOTO: DAVID VALDEZ



For banker Robert H. Spaulding (top) moonlighting is a way to "improve myself" as well as a source of income. Joseph D. Smithling uses extra pay from playing in a band to "maintain our lifestyle."

Take Robert H. Spaulding, 32, of Jackson, Miss. As assistant manager in the trust division of the First National Bank of Jackson, acting as trustee on corporate and municipal bond issues and stock transfers, he earns $28,000 a year. From mid-December to mid-April, he puts in 15 to 20 hours weekly for his part-time employer, EconoTax, Inc., preparing tax returns and pulling in another $1,200.

He views the work as a broadening experience, as well as a source of additional income. "Having worked in personal trusts and estates," he explains, "I had a lot of exposure to tax planning and just felt I wanted to improve myself and become more knowledgeable."

His supervisor at the bank, E.E. Laird, Jr., a senior trust officer, sees no conflict of interest. "His work is not

BRUCE W. FRASER *is a free-lance writer, living in New York City, who specializes in business and financial issues.*

PHOTO: GEORGE GOIKOVICH



Larry Dierker finds broadcasting baseball compatible with a sideline in real estate.

something where he would be using leads developed in the bank, so we have no objection to it," Laird says.

EconoTax President Keith Douglas says that during the tax season, 150 to 175 moonlighters, including attorneys, teachers, company accountants and bankers, work in EconoTax's 50 branches in Louisiana, Alabama and Mississippi. They are paid $4 to $7 an hour.

Because of depressed conditions in his area, Douglas says, "I've had plenty of offers from moonlighters with good experience to work for $3.35 an hour" (the federal minimum wage).

Another moonlighter is Joseph D. Smithling, 46, of Liverpool, N.Y., a manufacturers' representative to the sporting goods and recreation industries. After a rugged weekly travel schedule, Smithling, a father of eight, somehow finds time to play the drums for a Dixieland jazz band one or two nights.

Smithling has been moonlighting as a musician since high school, and at one time he earned more from his part-time musical work than from his full-time job, which now yields about $30,000 annually. Without the $2,000 he earns from moonlighting, he says, "we wouldn't be able to maintain our lifestyle."

Some business people teach on the side. For example, Allan C. Haley, 37, director of typographic marketing at International Typeface Corporation, a privately held graphic arts marketing company in New York City, teaches typography courses at Pratt Institute.

His other moonlighting activities include consulting, lectures, seminars and writing a book on phototypography. "I have to be careful that there's no conflict of interest," says Haley, a resident of Norwalk, Conn. "My main job is most important, and I won't do anything to compromise that."

THEN THERE IS Maxine A. Paetro, a senior vice president and member of the board at Dancer Fitzgerald Sample, a New York advertising agency. Paetro, 36, is in charge of administration operations for the creative department. Her first experience moonlighting was writing a book for beginners on getting a job in advertising; she earned approximately $10,000 on that. "I spent two weekends on it and another eight months nitpicking it to death," she says.

Other outside projects have included articles for such magazines as *Self*, *Cosmopolitan* and *Mademoiselle*, and she is about to plunge into work on a second book. Her free-lance assignments, she says, help defray such expenses as maintaining a cabin cruiser on the Hudson River.

Paetro's supervisor, Gary Susnjara, president of Dancer Fitzgerald Sample, is wary about the possibility that outside work will reduce his employes' effectiveness. He estimates that the agency has a "few dozen" workers who engage in free-lance work of a nonconflicting nature, but doubts that any workers hold a second job. "I would object to anyone's doing so," he says.

Moonlighting has led many executives to new careers; they test the waters before taking the plunge.

Consider Lawrence C. Falk, of Prospect, Ky. Falk, 40, had been working as a public information officer at the University of Louisville, making $35,000 a year. Three years ago, after he had bought a Radio-Shack TRS-80 personal computer, he thought of starting a newsletter describing the computer's operating features.

The newsletter, first produced on the copy machine at a local drugstore, has mushroomed into a 250-page monthly magazine, and Falk plans to hold a trade show in Chicago soon.

Falk quit his job last year to concentrate on his new venture. He has formed his own company, employing 14 people, and he expects to gross between $1.5 and $2 million this year.

"I like my new boss a lot more than my old one," he says. □

Guidelines for Moonlighting

As more and more business people turn to moonlighting, employers and employes alike have felt the need for clear guidelines about what is and is not permitted. Experts advise employers to:

- Spell out the conditions under which they will approve, disapprove or be neutral toward moonlighting. Employers may applaud an executive who teaches at a college or lends skills to government but disapprove of work for a firm that is in some sense a competitor.
- Tell employes whether in-house telephones, copy machines, secretaries or computers can be used for outside purposes. Employes may, for example, be allowed to take calls related to moonlighting ventures during the day but not allowed to use a company computer or secretary in their moonlighting.
- Be clear about the job performance that is expected from the employe so that both employer and employe can judge accurately whether performance is being affected by the moonlighting.

"Moonlighting is a natural and reasonable response to the complexity of employment and should not be swept under the table," says Thomas P. Ference, professor of management and director of the master's degree program for executives at Columbia University's graduate school of business. "It should be dealt with professionally like any other aspect of business."

"DRAMATIC CONTRIBUTION" TO ECONOMY

Service Firms' Goal: Export Support

WITH THE U.S. trade deficit likely to reach a record $60 billion this year, American service industries are intensifying their quest for a comprehensive national policy covering exports in their respective fields.

The campaign includes the recent submission to President Reagan of a white paper, *U.S. Services and Trade Policy*, which said, "The United States lacks a framework for the definition and pursuit of American interests in the worldwide [services] marketplace."

Exports are generally perceived in terms of products—agricultural commodities, aircraft or computers, for example. Service industries complain that their own importance in the U.S. trade picture is frequently underestimated because of that perception.

They point out, for example, that the merchandise account showed a $27.4 billion deficit in 1980, while services showed a $38.2 billion surplus, for a net surplus of $10.8 billion in total trade. This year's expected overall trade deficit would be much greater without the services component, they add.

Services exported, in diminishing order of dollar volume, are transportation, banking, insurance, engineering and construction, lodging, tourism, communications, accounting, leasing, advertising, education, franchising, business, professional and technical services, motion pictures, information and data, employment, and health.

The range of those activities, the white paper said, "demonstrates that trade in services is not just a handmaiden to trade in merchandise. Rather, services have taken on a commercial life of their own."

American firms have "captured 20 percent of a world services market that has grown from $80 billion to more than $400 billion over the past decade," the white paper said, noting that the United States is the world's leading producer and exporter of services.

President Reagan did not indicate immediately what action his administration might take on recommendations in the report, which was drafted by the Panel on Services and U.S. Trade Policy, a unit of Georgetown University's Center for Strategic and International Studies.

THE PANEL included representatives of a varied group of companies and organizations. It was headed by Maurice R. Greenberg, president of American International Group, Inc., a New York-based holding company whose subsidiaries and affiliates are in the insurance business in more than 130 countries.

Greenberg said there is "growing awareness in government of the importance of our international service activities to economic well-being." But, he said, government policy has not kept pace with economic reality.

He said the panel examined "the dramatic contribution" service exports make to economic growth and concluded that this contribution is threatened, mostly by the growing imposition of overseas barriers to such exports, "but also by our failure to integrate services into our trade policy."

Every aspect of trade policy should be re-examined to make sure that services are being taken into account, he said.

The panel's key recommendations:

- Early passage of comprehensive service trade legislation to strengthen the hand of the executive branch, increase the priority accorded trade in services and signal to the international community the importance that the United States attaches to service trade issues.
- Recognition by the executive branch that increasing the U.S. stake in international commerce requires it to make a more conscious effort to promote and support U.S. trade interests.
- A U.S. initiative at the highest level to express this country's concern about the pattern of increasing barriers throughout the world to trade in services.

The service industries hope that their proposed agenda would be among priority items for the proposed Department of International Trade and Industry, which would centralize the federal government's world trade activities in a single agency. (See page 18.) The new department would replace the present Department of Commerce. □

WE WROTE THE BOOK ON TWO-WAY RADIO. AND IT'S FREE.

Read all about it. How Two-Way Radio can help just about any business lower costs and increase profits via more efficient use of people and vehicles. Plus, how to choose the right radio from Johnson's complete line of mobile communications equipment. All American made by the two-way pioneer not only challenging but pacing the industry. All backed by a full year's 100% warranty on all parts and labor.



Phone toll-free 800-328-5727 Ext. 122.
(In Minnesota, 800-742-5685 Ext. 122.) Or write Johnson Radio Products Division, Waseca, MN 56093, for your free copy.

JOHNSON
Radio Products Division
THE CHALLENGER

The Fight To Save Home Buyers' Bonds

WHEN BOOM TIMES came to Wyoming in the 1970s and droves of people stampeded in to reap the coal, oil, gas and uranium harvests, the state was ill-equipped to house the newcomers.

There were stories of people who dug holes in the ground and took up residence in them, of others who slept on cots in snowbanks. Of hotels that rented out rooms for eight-hour shifts. Of people who paid a dollar to use a swimming pool as a substitute bathtub.

And there were tales of budding entrepreneurs who found a new use for chicken coops—renting them out, after minor renovation, as apartments.

George Axlund, executive director of the Wyoming Community Development Authority, reminisces: "People who had sold their houses in the East came out here thinking they were entering the land of milk and honey. But even those lucky enough to find houses learned that big salaries didn't mean much because everything was so expensive."

To deal with this housing shortage, Wyoming began issuing tax-exempt single-family mortgage revenue bonds. State and local housing agencies use money raised by selling the bonds to provide loans at below-market interest rates, mainly to first-time home buyers with low to moderate incomes.

Traditionally, housing bonds issued by government agencies were used to finance low-income multifamily rental projects. In 1978, however, Chicago sold $100 million in bonds to provide single-family mortgages, and the practice spread rapidly to other states.

MRBs, which have already financed more than 7,000 home purchases in Wyoming, are still assisting home buyers there. "We sold our first issue of $46 million for this year in March, with the money becoming available on a Monday morning at 9 a.m.," Axlund recalls. "People started lining up in front of lending institutions throughout the state on the previous Thursday."

But MRBs, which have financed 690,000 home purchases throughout the country so far, are now in jeopardy. New issues of the bonds will be barred as of December 31, as stipulated in the 1980 Mortgage Subsidy Bond Tax Act.

Protests against the bonds' imminent death have been widespread.

Governors argue that the bonds have generated $3.7 billion in tax revenues and total economic activity of $36.6 billion to date and should be retained.

Mayors contend MRBs are a vital tool for urban revitalization. San Francisco targeted a recent bond issue at low- and moderate-income home buyers in blighted areas of the city through what is called a shared-appreciation mortgage. The city pays a portion of the purchaser's monthly mortgage payment in exchange for a proportional share of the appreciated equity at resale.

Builders and developers maintain that MRBs have been a major force in keeping a faltering housing industry afloat and have provided some 439,000 jobs.

The U.S. Chamber of Commerce has pointed out that "these bonds provide a local alternative to further federal involvement in housing finance."

BUT HOME BUYERS, through lower monthly mortgage payments, receive only about 25 percent of the benefits generated by the bonds, according to a recent General Accounting Office report. The biggest beneficiaries are bond investors—"typically high-income individuals and financial institutions," the report says.

The Reagan administration objects to continuing the bonds, citing federal revenue losses. The tax exemption on interest is a "cumulative phenomenon" that grows each year as the amount outstanding in bonds increases, says John E. Chapoton, assistant Treasury secretary for tax policy.

Chapoton notes that each bond issue can remain outstanding for as long as 30 years. This means, he says, that extending the law for even one more year would result in a first-year revenue loss of between $250 million and $300 million and an ultimate revenue loss of around $4 billion.

The federal government already subsidizes housing sufficiently, the administration argues, citing, as an example, the income tax deduction on home mortgage interest payments.

If Congress concludes that some additional subsidy is necessary, Treasury and the GAO say, there are less costly alternatives, such as federal interest reduction subsidies to issuers of taxable bonds, or a 12-year income credit for home buyers, equivalent to a given percentage point decrease in the mortgage rate.

Legislation to continue the MRB program, sponsored by Sen. William Roth (R-Del.) and Rep. Thomas Downey (D-N.Y.), has gained wide congressional support. □

—Mary-Margaret Wantuck





Prospective home buyers lined up outside the Buckeye Federal S&L in Columbus, Ohio, hoping to be among the lucky ones to receive low-interest home loans financed with mortgage revenue bonds. Top picture: Jim and Debbie Gunkelmar, 11th in line, were two fortunate loan recipients, now able to buy the house behind them.

PHOTOS BY JIM SCHAFFER

Teeth To Last a Lifetime

You can defeat dental disease.

KATHY M., A YOUNG EDITOR, had to chuckle when she opened a gift from a colleague last Christmas. The present, a musical toothbrush that played one of her favorite songs, was an acknowledgment that Kathy brushes after every meal—breakfast, lunch and dinner.

Because she is so diligent, Kathy is less likely than most to suffer what is considered one of our most preventable health problems: dental disease. It is also one of the most prevalent—tooth decay (dental caries) is second only to the common cold in the United States. (As one dentist writing in a British medical journal puts it, "Inasmuch as any tooth will develop caries if challenged sufficiently, all persons with teeth must be considered susceptible.")

But you can lose your teeth even if they are free of cavities. Some medical scientists contend that virtually all adults show signs of periodontal (gum) disease, which is the leading cause of tooth loss among grown-ups.

A study at the University of Connecticut estimates that Americans lose 32 million workdays per year to treatment of their teeth. The researcher, Dr. Howard L. Bailit, now a Columbia University professor of health administration, says many of those days are lost because dentists' office hours fall during the workday and employes must take time from the job to get professional care.

Fortunately, Bailit observes, some dentists are beginning to keep office hours that are more convenient for working people. And though their numbers are still small, retail dental offices (like those in some Sears Roebuck and Montgomery Ward stores) and dental franchises (often located in shopping malls), which keep the same hours stores do, are becoming more common. A sprinkling of companies—Campbell Soup and R.J. Reynolds Industries, for example—maintain dental facilities for employes and their dependents.

Dentistry these days is almost painless. Recent advances include "bonding," a tooth repair method that uses plastic and is simpler and cheaper than capping a tooth. And adults as well as children can now benefit from braces to correct crooked or misaligned teeth. More than 15 percent of the nation's orthodontic patients are between the ages of 20 and 60.

However, the basic responsibility for keeping teeth free of disease still belongs to the individual. According to the American Dental Association, here is what you can do to help keep your teeth healthy:



PHOTO: RHODA BAER

Daily use of dental floss, in addition to brushing, helps to remove the film of bacteria called plaque.

- Remove plaque, the film of bacteria that forms constantly on your teeth, by thoroughly brushing and flossing at least once a day. (Decay-prone adults should brush their teeth more often.)

Use a brush that has a flat brushing surface and bristles with rounded ends (soft bristles are less likely to injure gum tissue). Angle the brush against the gum line, where the teeth and gums meet. Gently brush back and forth with short strokes. Brush the inner and outer surfaces of all your teeth; then brush the chewing surfaces. And, for a fresh breath, brush your tongue. Replace your toothbrush every three or four months or when the bristles become bent or frayed.

As for floss, many dentists recommend the unwaxed variety because they feel it does a better job of removing plaque. But if you have tightly spaced teeth, you may find it easier to use waxed floss. Whichever kind you use, break off about 18 inches and wrap all but about 3 inches around the middle fingers of each hand. Holding the floss tightly, use your thumbs and forefingers to guide it between your teeth. When it reaches the gum line, curve it into a C shape against one tooth and gently slide it into the space between the gum and the tooth until you feel resistance. Move the floss away from the gum by scraping the floss up and down against the side of the tooth.

To monitor how successful you are in removing plaque, try a dental disclosing agent. Available in drugstores for a couple of dollars or less, such agents come in solution or tablet form and consist of a temporary vegetable coloring that reveals the plaque you missed. With practice, you can learn to reach places that need special attention.

- Limit foods containing sugar, especially sticky sweets and sweets (like throat lozenges) that linger in the mouth for a long time. Sugar produces acid that breaks down tooth enamel and leads to decay.
- Eat a balanced diet; this will help maintain the gums and bones that support your teeth.
- Use a fluoride toothpaste or gel. (The seal of the American Dental Association's council on dental therapeutics indicates that a panel of dentists, pharmacologists and other experts has examined research data on a product and is satisfied that the product lives up to the manufacturer's claims.) If you live in an area without fluoridated water, ask your dentist whether you should use fluoride tablets or other fluoride supplements to protect yourself from caries.
- Get regular checkups so your dentist can diagnose and treat problems early. Unfortunately, many people are unaware that they have periodontal disease because it usually progresses slowly over many years, with little or no pain.

ADA emphasizes that prevention, in addition to warding off disease, is the best way to keep dental costs down. Most insurance and prepaid plans are set up to encourage prevention by paying for the cost of regular visits to the dentist, including examinations, X-rays and teeth cleaning.

Your teeth are meant to last a lifetime. Care for them, and you can have a winning smile the rest of your days. □

—Sharon Nelton

Discover how to improve your management talents and profits.

"Executive Seminars in Sound" is a lively 8-tape program designed to give answers to problems crucial in managing a business. The tapes cover:

1. HOW TO GET YOUR IDEAS ACROSS
2. MAKE THE MOST OF YOUR TIME
3. YOUR ROLE AS A DECISION MAKER
4. GUIDE TO BETTER PEOPLE MANAGEMENT
5. MASTERING THE ART OF DELEGATING
6. ORGANIZING YOUR PLANS AND PLANNING YOUR ORGANIZATION
7. STRATEGIES OF MOVING AHEAD
8. HOW TO LIVE WITH YOUR OWN SUCCESS

No boring lectures. On each tape, actors dramatize on-the-job situations that, as a manager, are always facing you. The expert commentary analyzes the situations and demonstrates the most profitable solutions.

Learn where and when you choose. The convenience of cassette tapes, in a compact binder, allows "Executive Seminars in Sound" to work for you anywhere, anytime – at the office, in your car or at home.



Invest $95 in yourself and profit for a lifetime. Send today for your complete set of 8 cassettes. Each "Executive Seminars in Sound" tape is no less than 45 minutes long. We'll even let you try it for 15 days FREE, and if you're not satisfied, return it for a full refund.

Plus, you receive a study guide with a written synopsis of each tape, ideal for personal review and group training sessions.

I'll take you up on your 15 day FREE TRIAL OFFER.

Send me "Executive Seminars in Sound." If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for $95.

Bill to my: ☐ Visa ☐ MasterCard ☐ American Express

Card No. _____ Expiration Date _____

Signature _____

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Nation's Business Executive Seminars Division
1615 H Street, N.W. Washington, D.C. 20062

California and District of Columbia residents, add sales tax.

NB0783

PHOTO: RICK FRIEDMAN—BLACK STAR



Small bankers like Paul St. Laurent fear interstate expansion by money center banks.

Interstate Banking: So Near and Yet So Far

Banks are spreading out across state lines, though they can't branch out across them.

By Mary-Margaret Wantuck

INTERSTATE BANKING. Small banks fear it. Large banks want it. And in many ways, it is already here. In recent years, banking operations of many kinds have spread across state lines. Examples:

- Bank holding companies now have nonbank subsidiaries that offer consumer finance, insurance, residential mortgage and credit card services across state lines.
- Electronic funds transfer mechanisms like automated teller machines permit bank customers to withdraw cash from their deposit accounts while they are out of state. Likewise, retail point-of-sale terminals in one state can debit a customer's account in a bank in another state.
- Specialized affiliates of bank holding companies now provide a variety of services to corporate customers—nationwide deposit-taking, lending and data processing—without regard to state lines.

All that is left is banking's core: accepting individuals' deposits, providing them with checking and savings accounts, and making direct consumer loans—activities that cannot be conducted across state lines unless a bank chartered in one state is permitted to operate a branch in another. And none can, except through acquisition or merger, and then only under very specific circumstances.

Two federal laws and 50 state laws govern interstate branching, mergers and acquisitions, the applicable law depending on whether the bank or thrift institution is state or federally chartered.

On the federal level, the 1927 McFadden Act prohibits full-service interstate branching, and the Douglas amendment to the Bank Holding Company Act of 1956 forbids a bank holding company from buying a bank in another state unless that state specifically permits it.

(Banks' organizers may seek national charter status because it means being examined by one regulator and following one set of rules; opting for a state charter may mean lower capital requirements or greater ease of charter approval.)

Many small banks and even many large regional banks view McFadden and Douglas as dikes against massive

concentrations of financial resources in a handful of money center banks, with accompanying loss of local control. Let financial institutions adjust to their newly deregulated environment, the small bankers argue, and then remove barriers to interstate banking gradually, on a schedule much like the six-year phaseout of interest rate ceilings mandated by Congress in 1980.

SUPPORTERS OF interstate banking maintain that there would be greater competition, more customer services and more capital for growing state economies if McFadden and Douglas were laid to rest without any further delay.

While the arguments go on, both the federal government and the states have been taking actions that are making interstate banking more of a reality.

A federal law passed last October allows financial institutions to bail out troubled institutions in other states by acquiring them.

The Federal Home Loan Bank Board wants to go one step further and permit federally chartered thrifts to branch across state lines and acquire healthy as well as ailing institutions in other states. Some states already permit such interstate activities by state-chartered thrifts.

A number of states have moved toward interstate banking in other ways. South Dakota and Delaware have promoted bank purchases by out-of-state holding companies, luring them with low taxes and the absence of interest-rate ceilings on credit card operations, corporate loans and other activities. Florida, Iowa, Illinois and Maryland allow some out-of-state bank operations.

A few states, including New York, Maine and Alaska, have nationwide reciprocal interstate banking laws. An out-of-state bank holding company can buy a bank in these states if the purchaser's state extends the same privilege to the state in which the acquired bank is located.

Massachusetts passed a law last December that permits such reciprocity only among the six New England states. Last month Connecticut did the same. Rhode Island recently passed an interstate banking law that is regional until 1984, when reciprocity will be extended nationwide.

Robert Lougee, Jr., vice president of Fleet National Bank in Providence, Rhode Island's largest bank, contends that strictly regional bills "will give us time to tinker and find out what pluses and minuses are involved before making a case for national interstate banking."

However, New York banks are vigorously criticizing reciprocity limited to the same region, and many of the largest New York banks have lobbied heavily against such legislation in Florida.

New York banks are eager to tap Florida's $100 billion in individuals' deposits. Florida banks contend that if New York banks owned Florida banks, the state would become a client of the New York banks.

They point out that each of the three leading money center banks in New York holds more in deposits than all Florida banks combined. Executives at Southeast Banking Corporation, the state's largest bank, argue that "hasty passage of reciprocal interstate banking legislation for Florida would rob the state of its ability to govern its own future."

According to James Murphy, executive vice president of the New York Bankers Association, it is not New York banks but giant nonbank conglomerates "that are running roughshod over regional boundaries with their purchases of out-of-state banks." One example: the purchase of a Georgia bank by Prudential Bache Securities.

Mark Walters, counsel for the Maine Bankers Association, says that Maine stands to benefit from New York banks' acquisitions of Maine banks, which followed both states' adoption of nationwide reciprocity laws. "The acquiring institution must maintain a certain level of equity capital in the state," he points out, "and the state fathers are counting on the New York banks' moving some of their operations to Maine, which would mean a significant number of new jobs for Maine residents."

Walters also emphasizes that the New York banks' acquisitions were of large Maine institutions that had agreed to the takeovers. So far, no Maine banks have bought New York institutions.

Small bankers like Paul St. Laurent, president of Somersworth National Bank in Somersworth, N.H., fear being swallowed by giant out-of-state institutions if interstate banking gets a clear green light. "As soon as New York's law became a fact, its banks were out there gobbling up Maine banks," he says.

Other small bankers fear that even if they are not swallowed by financial behemoths, they will be stepped on by them. James Zafrias, president of Danvers Savings Bank, of Danvers, Mass., predicts that some small institutions will succumb to the fierce competition that will accompany the spread of interstate banking and the introduction of new financial products.

But, Zafrias says, most community banks and thrifts will prosper because they will be more flexible and less dependent on written policy than their larger rivals and will have the "advantage of being able to determine what the market is going to be and where it will develop."

Donald R. Blair, president of Putnam Trust Company, of Greenwich, Conn., and current president of the Connecticut Bankers Association, offers a similar assessment. "In Connecticut," he says, "we have many strong small banks that have their niches carved out and feel they can hold their customer base against any big outside competitors. After all, they've been competing

PHOTO: BRUCE FLYNN—PICTURE GROUP



Rhode Island banker Robert Lougee, Jr., says interstate banking should be tried only within regions at first.

with the large Hartford banks all along."

Philip Corwin, legislative counsel for the Independent Bankers Association, sees little likelihood that interstate banking will lead to large banks' buying up small banks. "Large banks don't want to take the time to come in and acquire a small bank and then spend years trying to build it up," he says, explaining that this would not be cost-effective.

The IBA is willing to accept interstate banking provided that it takes place through establishment of new banks, and not through mergers and acquisitions.

SOME SMALL BUSINESS groups maintain that the profitability of loans made to small businesses—now mainly a small bank activity—will tempt large banks to get more deeply involved in such transactions. The quickest way to do that would be through acquiring small banks, they say. And they fear that such acquisitions could spell disaster for many small firms.

George Saunders, a finance specialist with the National Federation of Independent Business, explains: "There is a building up, a cementing of a trusted banker-client relationship between the small business and the small bank. Enter a multibank holding company that has guidelines dictated by the home office and relies strictly on computer printouts and numbers and eliminates the personal element. Where a small banker would advance his client more capital if he were temporarily down on his luck, a large bank only sees this man as a poor credit risk and might foreclose."

Zafrias, the Massachusetts banker, says that large banks are interested in "mature, developed firms with millions of dollars in sales and don't want to hold the hands of small, growing companies."

As the barriers to interstate banking gradually fall, the big question is whether the states or the federal government should be in charge of pulling them down.

Some see interstate banking as a states' rights issue, arguing that the individual states can best decide what banking structure is appropriate for their economies.

At this point, the only pending congressional legislation dealing with interstate banking is a bill introduced by Sen. Paul Tsongas (D-Mass.) and Rep. Barney Frank (D-Mass.). The Tsongas-Frank measure calls for amending the McFadden Act to permit federally chartered banks to go into interstate branching in New England to the extent that legislatures there permit state banks to do so.

But there certainly is sentiment for broader congressional action.

Treasury Secretary Donald Regan says interstate banking is a federal matter and should be dealt with by Congress. And Federal Reserve Chairman Paul Volcker says that although he is "encouraged that some states have already chosen to take the lead, the time for congressional review of the issue is here."

Experts believe that because so many states have let some interstate banking barriers drop, Congress will—not this year, but perhaps next—heed the words of Regan and Volcker. □

PHOTO: BUCK MILLER



Nationet's James Martin sees electronic banking soon becoming part of "regular banking service."

Branches Without Buildings

Starting this month, a new national network called Nationet is giving bank customers in many parts of the country access to the cash in their hometown bank accounts, even when those banks are thousands of miles away. Nationet embraces 12 independent regional automated teller systems with more than 4,600 terminals in 27 states. Says James Martin, Nationet president: "Technology to make a national funds transfer system possible is readily available. We feel it's only a matter of time before consumers will demand it as part of their regular banking service."

Another nationwide network, the CIRRUS system, has more than 5,000 terminals and is expected to be within reach of 80 percent of the population by the end of 1983. The PLUS network hopes to extend to 10,000 terminals by 1987. There is also Master Teller, a MasterCard cash-dispensing machine.

In addition to these networks, there are about 150 regional and statewide networks. MPACT, in Texas, is the largest statewide network; it is expanding its services to include discounts on travel and long-distance telephone calls, $1,000 accidental death insurance, nationwide check cashing and sweepstakes prizes.

Visa, meanwhile, is going into electronic funds transfer on a global scale. The core of its new network will be about 400 automatic teller machines at 250 locations frequented by travelers in more than 30 countries. By 1986 the number of ATMs could rise to 8,000, according to D.W. Hock, president of Visa International.

Are we approaching the point where brick-and-mortar edifices will become unnecessary as banking is carried on by computer?

A 1981 study by the Conference of Bank Supervisors said that "development of EFT networks, national card systems and shared ATM systems eliminates the necessity for interstate offices to provide financial services."

But Giles Mellon, professor of banking and economics at Rutgers University, thinks branch buildings will always be needed. Referring to Citibank's recently abandoned policy of requiring its low-balance customers in New York City to use machines instead of human tellers, he says: "The retail business may not need an actual structure with staff to deal with customers in the future, but commercial business transactions will, because they are complicated."

Donald Blair, president of Putnam Trust Company, of Greenwich, Conn., probably speaks for many small banks when he says, "ATMs don't represent the kind of threat that physical deposit-taking offices do. If Citibank were allowed to set up ATMs in Connecticut, I'd be less concerned about this than about having three Citibank offices in town.

"ATMs would broaden the ability of Citibank to let customers get at their funds. But in an office situation Citibank would be pulling deposits out of our state institutions to use for loans of all kinds."

Nation's Business

ESP

EXECUTIVE SERVICES AND PRODUCTS

The advertisers in this issue will be pleased to send you information on their products and services. Simply select the company, circle the corresponding number on the attached reply card or adjacent coupons and mail to the address below. Our ESP service will do the rest.

Service and Product Advertisers

1. **Avery Labels**
2. **The Bankers Life of Des Moines**
3. **CIGNA Corporation**
4. **Detroit Diesel Allison-Detroit**
5. **Executive ScanCard Systems**
6. **Walter E. Heller & Company**
7. **E. F. Johnson Company**
8. **Lathem Time Recorder Company**
9. **Metropolitan Life Insurance Company**
10. **Peat, Marwick, Mitchell & Company**
11. **Personnel Pool**
12. **Phoenix Mutual Life Insurance Company**
13. **R. J. Reynolds Tobacco—Now**

The U.S. Chamber of Commerce offers a variety of management aids and executive development programs. For additional information, select the material you want and our ESP service will reply promptly.

U.S. Chamber Management Services

31. **BizNet (American Business Network)**
 A videocassette series of selected BizNet programs covering major developments and events affecting business.
32. **Meeting the World Trade Challenge**
 A new 3-part slide and cassette series illustrating the importance of free trade; growing export opportunities; and expert tips on how to start an export business.
33. **Contact**
 A directory of business and economic education programs.
34. **Social Security**
 A 15-minute slide/cassette presentation on the future of Social Security.
35. **The Right Direction**
 A 10-minute, 16mm motion picture on what America is doing right.
36. **Dollars! Dollars! Dollars!**
 An 18-minute video tape program on the congressional budget process.
37. **American Enterprise System**
 A series of 16mm motion pictures and 35mm slide programs.
38. **Strategy for the 1980s**
 Model programs on business and economic education.
39. **Empresa**
 A Spanish-language program on what private enterprise is all about.
40. **Economics for Young Americans**
 A complete easy-to-understand program for secondary and junior college students on the basics of economics.
41. **BEE**
 A manual on how to build public confidence in business and business leaders.

Mail to:
Nation's Business, P.O. Box 1200, Washington, D.C. 20013
Attn: Claudine Hollomon

July 1983

Nation's Business **ESP** EXECUTIVE SERVICES AND PRODUCTS

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone () _____

Services and Products

1 2 3 4 5 6 7 8 9 10
11 12 13 14 15 16 17 18 19 20
21 22 23 24 25 26 27 28 29 30

Chamber Programs

31 32 33 34 35 36 37 38 39 40
41 42 43 44 45

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1) **Type of Firm**
- ☐ Manufacturing (1)
- ☐ Construction (2)
- ☐ Finance (3)
- ☐ Insurance (4)
- ☐ Retail/Wholesale (5)
- ☐ Service (6)
- ☐ Real Estate (7)
- ☐ Mining Agr. (8)
- ☐ Other (9)

2) **Title**
- ☐ Board Chairman (1)
- ☐ President (2)
- ☐ Owner/Partner (3)
- ☐ Vice President (4)
- ☐ General Manager (5)
- ☐ Other (6)

3) **Number of Employees**
- ☐ 1-25 (1)
- ☐ 26-99 (2)
- ☐ 100-999 (3)
- ☐ 1000-9999 (4)
- ☐ 10,000 + (5)

4) **Reason for Inquiry**
- ☐ Future Project (1)
- ☐ Immediate Purchase (2)

This offer expires October 1, 1983

July 1983

Nation's Business **ESP** EXECUTIVE SERVICES AND PRODUCTS

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone () _____

Services and Products

1 2 3 4 5 6 7 8 9 10
11 12 13 14 15 16 17 18 19 20
21 22 23 24 25 26 27 28 29 30

Chamber Programs

31 32 33 34 35 36 37 38 39 40
41 42 43 44 45

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1) **Type of Firm**
- ☐ Manufacturing (1)
- ☐ Construction (2)
- ☐ Finance (3)
- ☐ Insurance (4)
- ☐ Retail/Wholesale (5)
- ☐ Service (6)
- ☐ Real Estate (7)
- ☐ Mining Agr. (8)
- ☐ Other (9)

2) **Title**
- ☐ Board Chairman (1)
- ☐ President (2)
- ☐ Owner/Partner (3)
- ☐ Vice President (4)
- ☐ General Manager (5)
- ☐ Other (6)

3) **Number of Employees**
- ☐ 1-25 (1)
- ☐ 26-99 (2)
- ☐ 100-999 (3)
- ☐ 1000-9999 (4)
- ☐ 10,000 + (5)

4) **Reason for Inquiry**
- ☐ Future Project (1)
- ☐ Immediate Purchase (2)

This offer expires October 1, 1983

Striking At Labor Violence

Business is urging Congress to undo the Supreme Court's hobbling of the Hobbs Act.

ON A SUMMER MORNING less than two years ago, thousands of union coal miners and their supporters converged on a mine site near Galatia in southern Illinois to protest plans of the Kerr-McGee Coal Corporation to operate there with nonunion workers.

Kerr-McGee evacuated its personnel, and state police equipped with antiriot gear arrived by helicopter to protect company property. Before the union forces, some of whom hurled Molotov cocktails, were driven back by tear gas, they had destroyed a 2½-mile-long, 8-foot-high fence and burned several vehicles. In Galatia itself, fire destroyed an office building rented by Kerr-McGee while, observers said, volunteer firefighters stood by.

In the aftermath of that violence, 25 people were arrested on a variety of charges, including assault on police officers. But the first 12 defendants tried were acquitted by Saline County juries, and prosecutors dismissed the remaining cases.

The Galatia battle is cited by business experts on labor relations as evidence that the era of labor violence is not yet over and that present laws are inadequate to deal with the problem. The Washington-based National Right to Work Committee has counted 3,500 instances of union-inspired violence from 1975 to 1981.

Business is backing legislation introduced by Sen. Charles Grassley (R-Iowa) that would subject union officials to federal prosecution for committing or threatening to commit violent criminal acts to extort property in the form of wages or other concessions. State laws now cover criminal violence, and union officials argue that they are adequate. The labor leaders say most incidents of labor violence are spontaneous and minor.

WILLIAM H. HINOTE, a boilerhouse worker at the American Petrofina petroleum refinery in Port Arthur, Tex., disagrees. After participating for nine months in a strike last year, he broke with the leadership of the Oil, Chemical and Atomic Workers Union (AFL-CIO) and crossed a picket line to return to his job. A few weeks later, he was wounded by gunfire as he was about to climb into his pickup truck at 5:15 a.m. to go to work.

He was hit five times. "I thought the shooting would never stop," he told a Senate Judiciary subcommittee considering Grassley's bill. Hinote was still hospitalized when an anonymous telephone caller warned the owner of a store where his wife worked that it would be bombed if she was not discharged. She went on a leave of absence.

Hinote told the subcommittee: "To



Galatia, Ill., was a battleground as miners fought to stop nonunion coal mining. Vehicles and a building burned, and a 2½-mile-long fence was destroyed.

PHOTOS: L.J. CAMPBELL—EVANSVILLE COURIER



understand why federal jurisdiction is necessary [in labor violence cases] you have to be familiar with the local political climate and the pressures on local elected officials. I believe that many local residents know of evidence ... which would lead to the conviction of my ambushers but are too terrified to come forward and testify."

THE GRASSLEY bill would close a massive loophole the U.S. Supreme Court opened in the Hobbs Act, passed in 1946 to outlaw violence as a means of winning concessions in labor disputes. The Hobbs Act prohibited "wrongful" use of actual or threatened violence to force concessions in labor disputes.

But the Supreme Court ruled in the *Enmons* case in 1973 that Congress intended to cover only situations in which the misconduct was intended to achieve a wrongful goal. The union leaders involved in the case were seeking higher wages, which could not be considered a wrongful goal, and thus were not liable to prosecution, the Court said.

In introducing his bill, Grassley said that, until the *Enmons* decision, no person or group was exempt from provisions of the Hobbs Act: "Any actual or threatened use of force was a 'wrongful' use of force or violence and therefore constituted extortion. The objective that was sought through the violence was irrelevant."

Business supporters of Hobbs Act reform say they are not seeking to extend federal law to cover every incident involving violence or the threat of it in labor disputes. Robert T. Thompson, chairman of the U.S. Chamber of Commerce labor relations committee, says the Grassley bill's provisions "have been carefully drafted to exclude minor and exuberant behavior." A similar bill sponsored by Rep. J. Kenneth Robinson (R-Va.) would authorize federal prosecution where property damage exceeded $2,000.

The outcome of the legislative move is uncertain. Even if the Republican-controlled Senate passes the Grassley bill, its prospects in the Democratic-controlled House are considered dim. Strategists on the measure believe its best chance for enactment would be as a rider to a labor relations bill that had broad support.

Grassley, meanwhile, is sure of a sympathetic hearing from the chairman of his committee. Sen. Strom Thurmond (R-S.C.) said in introducing a similar bill in 1981 that "state and local authorities are not equipped or strongly motivated to deal with the consequences of clashes between powerful competing interest groups within their communities. This is particularly true with labor disputes—a subject that has a long and almost pre-emptive federal involvement." □

Nation's Business

S·E·M·I MARKET

Makes National Advertising Affordable!

S·E·M·I MARKET holds down runaway ad costs by selecting *every other* subscriber label from the total nationwide circulation of *Nation's Business*. With S·E·M·I MARKET you can enter national media, or test a new selling approach, at a fraction of the cost of most national advertising rates.

S·E·M·I MARKET Saves You Money

Even as a half run of *Nation's Business*, your advertisement reaches 375,000 business decision makers across the country—at a surprisingly low cost!

If you'd like more information on how S·E·M·I MARKET can put your product or service in the national limelight—for less money than you thought possible—write or call Brett Perrine, Advertising Director, *Nation's Business*, 711 Third Avenue, New York, NY 10017 (212)-370-1440.

Nation's Business
Reprints

Order your personal copies of these timely articles today!



Building the No. 1 U.S. Small Business p. 22

How To Foil Employe Crime p. 38

Nine Ways To Kill Off Your Small Business p. 65

Send your order and check to:
Nation's Business Reprints
1615 H Street, N. W. (202) 463-5877
Washington, D. C. 20062

1 to 9 copies	$1.49 each
10 to 29 copies	.98 each
30 to 99 copies	.69 each
100 to 999 copies	.49 each

More than 1,000 copies, please call.
Reprints from past issues are available.
Single copies of this issue: $2.25 each.

Request our FREE complete new reprint catalog.

CHANGING YOUR ADDRESS?

Please attach the latest address label from your Nation's Business cover, print your new address, and mail this form to Nation's Business.
Important: Allow five weeks for address change.

NATION'S BUSINESS
CIRCULATION DEPT.
4940 NICHOLSON COURT
KENSINGTON, MD. 20795

ATTACH LABEL HERE

name

co. name

address

city state zip code

Where I Stand

Require Work To Pay For Food Stamps?

The food stamp program is expected to cost American taxpayers $12 billion this year.

One of several administration cost-cutting proposals is called workfare: It would require food stamp recipients, ages 18 to 60, who do not have to care for children or incapacitated adults to take public service jobs. (Stamps are already ruled out for those who refuse private employment.)

Recipients would work off the value of their household food stamp allotments at a rate equivalent to the federal minimum wage.

The process is now in effect in a number of counties and cities, under a 1981 law making it optional. The Agriculture Department estimates it would put more than 200,000 people a month to work if made mandatory.

Proponents say workfare gets people off food stamp rolls, by impelling them to look for better-paying jobs, and makes public projects possible that otherwise would not take place. Opponents say it deprives people of time to seek other jobs and may displace regular civil servants.

Should eligible food stamp recipients have to take public service jobs?

☐ Yes ☐ No ☐ Undecided

Change Antitrust Law To Spur Joint Research?

In Japan the entire semiconductor industry, with government sanction, has formed a research and development pool that is expected to yield a computer with artificial intelligence. Presumably, this "fifth-generation" computer will understand ordinary speech, translate languages and provide information that includes unspecified but relevant material.

Antitrust law would make such a joint effort extremely difficult here. Businesses would fear not only prosecution but also private suits for treble damages. But as other nations gain on the United States in high-technology development, there are calls from various parts of the political spectrum to permit more cooperation in R&D, while guarding against attempts to monopolize.

It is argued that the cost of major R&D is often beyond individual firms and that much R&D in this country is duplicative and therefore wasteful. On the other hand, it is argued that joint efforts, no matter how well scrutinized by the government, would be a step toward monopoly.

Should antitrust law be changed to encourage joint R&D?

☐ Yes ☐ No ☐ Undecided

End Special Hours Curb On Federal Contractors?

Businesses that have contracts for federally financed construction or to supply goods or services to the federal government operate under a work-hour restriction that they and many of their employes would like ended.

The Fair Labor Standards Act requires the typical employer to pay at least time-and-a-half for work in excess of 40 hours a week. But federal contractors must pay the overtime rate for a day of more than eight hours as well as a week of more than 40.

Result: Overtime costs effectively bar federal contractors from using flexible work schedules, as many other employers do. Legislation is pending to end the special restriction, which stems from Depression-era fears that some workers' overtime would deprive others of jobs.

It is argued that reform would increase energy conservation, productivity, job satisfaction and enjoyment of leisure. Unions, however, call the legislation an attack on the eight-hour day and say accidents would increase because employes would be pressured to put in long hours.

Should federal contractors' special workday restriction be ended?

☐ Yes ☐ No ☐ Undecided

Verdicts on Tax Indexing, Bankruptcy, Alien Issues

In May the monthly Where I Stand poll asked these questions: Should indexing of income taxes be repealed? Should it be more difficult for wage earners to declare bankruptcy? Should Congress pass the present proposal for sanctions against employers who hire illegal aliens? There were more than 1,300 answers. Appropriate government decision makers will be informed of the poll's results.

On the first question, 86.3 percent of those responding said that raising of tax brackets and exemptions to keep pace with the cost of living, scheduled to start in 1985, should not be repealed. Opting for repeal were 9.6 percent. The others were undecided.

Of those answering the second question, 91.6 percent said bankruptcy rules should be more stringent, and 5.9 percent said they should not.

Proposals for required employer record keeping and identity checking to ferret out illegal aliens were supported by 40.4 percent, but opposed by 50.3 percent.

MAIL THIS PAGE TO: Nation's Business
1615 H Street, N.W.
Washington, D.C. 20062

Name _____

Title _____

Company _____

City _____

State _____ Zip Code _____

David R. Wilson
President & Treasurer
Personal Economics Securities, Corp.
New York, N.Y.



"I've had rich Scotch, and I've had poor Scotch. Believe me rich is better."



Teacher's Scotch. Rich is better.™

TEACHER'S® IS A REGISTERED TRADEMARK OF WM. TEACHER & SONS LTD. 86 PROOF BLENDED SCOTCH WHISKY © 1991 BACARDI IMPORTS, INC., MIAMI, FL AND NEW YORK, N.Y.

WASH/E/5

ALL THESE LOCAL BUSINESSES THOUGHT THEY COULD ONLY AFFORD NEWSPAPER ADS UNTIL THEY DISCOVERED MNI.



Despite appearances, this is no ordinary group of magazine ads.

They're full-color ads for local insurance companies, car dealers and menswear retailers that appeared alongside messages from corporate giants in Time.

Ads for neighborhood banks that benefited from the sober respectability of Business Week.

Local real estate brokers who addressed a clientele within a 5-mile radius in the glossy pages of House Beautiful.

How? Media Networks, Incorporated (MNI) inserts your local ad into over 15 prestigious national magazines only where your customers live. That makes the ad efficient and the national magazine affordable.

For further information, contact Joe Sheridan at (312) 828-9810.

MNI

© 1981 Media Networks, Inc., 600 Third Ave., New York, N.Y. 10016

WHAT GROWS IN GABON?

FARMS.

From Gabon's fertile soil come field crops of yams, maize, rice and sugarcane.

From hundreds of plantations come rubber, coffee, cocoa, palm oil, bananas and citrus.

Agricultural development, including fishing and livestock enterprises, is Gabon's #1 priority, and in recent years has received the 4th largest allocation of government funds.

And Gabon has just begun to grow! The future will see an increased commitment to agricultural development.

Because agricultural development is *the* priority, Gabon offers generous incentives and concessions to those who grow in Gabon.

For more information about what Grows in Gabon, send the coupon below to:

Gabonese Embassy
Attention Mr. David S. King
2034 20th Street Northwest
Washington, D.C. 20009



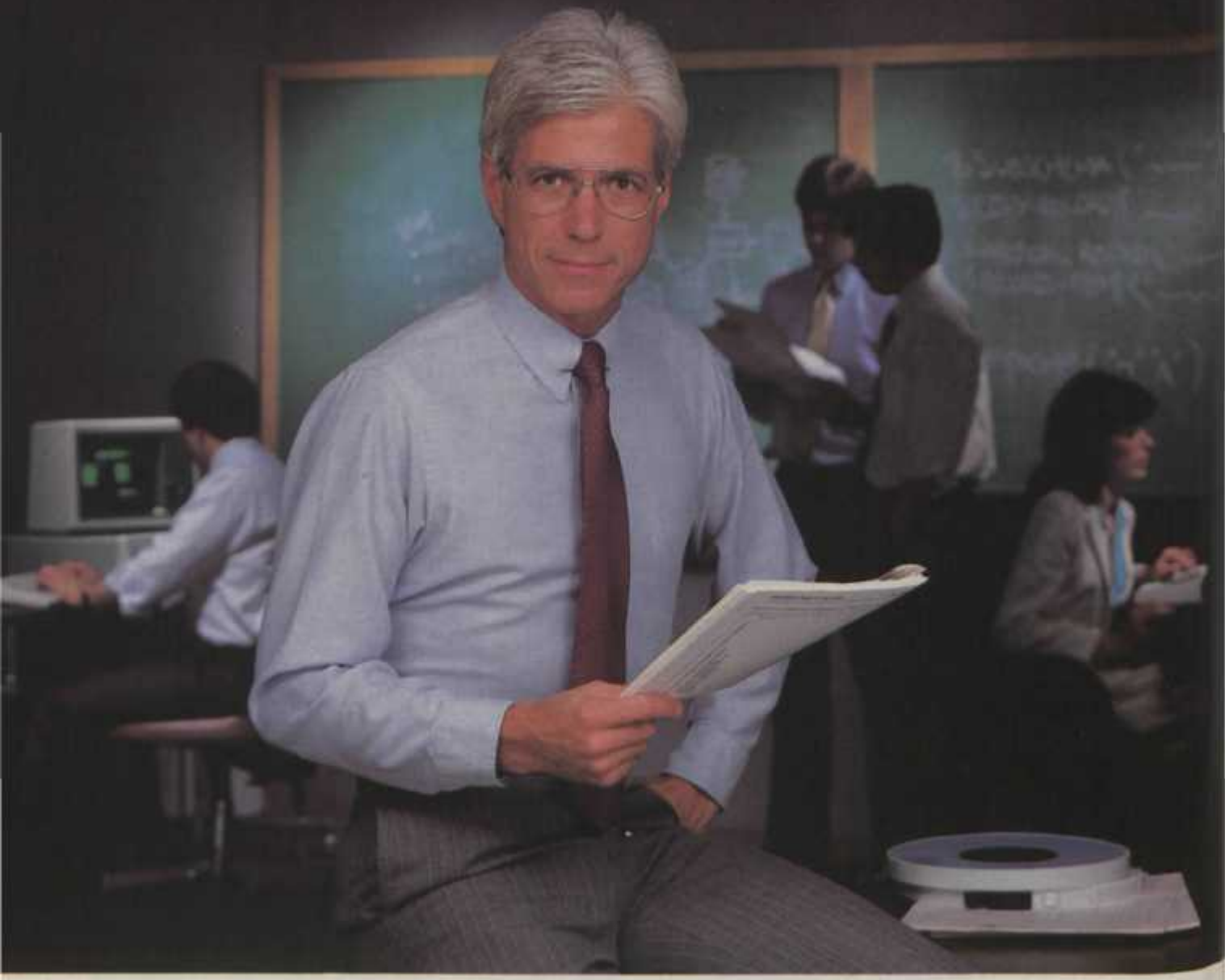
Send the Gabon Business Report to:

Name

Address

Zip

"We increased programmer productivity and protected our software investment...



using SAGE technology."

During the early phases of our application design, we found that ordinary application development systems weren't capable of handling the complex DB/DC requirements we were facing.

And, with today's rapidly changing technology, we needed a solution that would allow us to take advantage of future software and hardware advances—without risking a costly conversion.

We selected SAGE's APS and MTO products because they were the only products that met both of our requirements—increased productivity and software portability.

SAGE's APS is a powerful productivity support system engineered to leverage senior programming talent facing complex DB/DC applications. Specifically, APS reduces design, coding and test time by 25-40% and cuts life cycle maintenance costs in half.

MTO, an add-on component to APS, supports the development of applications that are DB/DC and compiler independent. MTO uniquely protects the system investment by allowing applications to be targeted across multiple, dissimilar operating environments—without a conversion.

Call or write for SAGE's information portfolio before you build your next major system.

SAGE SYSTEMS, INC.

5161 River Rd., Bethesda, MD 20816 (301) 986-1333

WASH/E/8

Nine Ways To Kill Off Your Small Business

By Emery Toncré

ACCORDING TO the Small Business Administration 8 out of 10 people entering business fail within two years. With the risk of failure so large, the wise entrepreneur will not ignore any possible threat to his business.

Nearly all threats can be eliminated if action is taken before a problem becomes too severe. Here are nine major pitfalls that lead to business failure, with some insights into how to avoid them.

Lack of planning. Planning is fundamental to the success of a business venture, and the person who enters business before completing basic planning steps has a less than 50 percent chance of success.

Lack of planning is a result of two shortcomings: being impatient and underestimating the complexity of business problems. Time taken to develop cash projections before starting your operation can prevent undercapitalization. Furthermore, the belief that starting a business is simple and free from problems is wishful thinking and can lead to overcommitment of your time as well as your finances. Unfortunately, many entrepreneurs learn these lessons too late to avoid failure.

Rapid, unplanned expansion. Expanded growth, the rightful goal of every business owner, places a strain on both available cash reserves and time committed to complete the additional workload. The pitfall in accelerated expansion occurs when the business grows faster than the owner can afford in both time and money.

Successful firms generally grow 15 to 20 percent a year in sales volume, and they seldom feel ill effects from continuous growth. However, actions initiated by the owner to accelerate growth beyond normal levels require highly specific plans to minimize risk, such as (1) a revised cash projection, (2) a bank loan to acquire additional funds, (3) a new marketing approach, (4) more physical space and (5) hiring new employes.

Faulty relationships with advisers. Your working relationship with a professional—such as your accountant or attorney—should be a two-way street. The professional must present the facts in a clear and accurate manner, and you must evaluate and act on the facts presented.

If this relationship is modified slightly (for example, by permitting a professional to operate certain areas of the business), problems can arise. Some business owners assign all financial decisions to their accountants. As a consequence, these owners lack the knowledge to make decisions, since they are totally in the dark about their businesses' financial position.

The fault sometimes lies with the professional, who may not wish to take the time to explain the complexities of his field to a client. It is also the fault of the client if he has an indifferent attitude and does not wish to be bothered by complex problems.

In one extreme case, it was the accountant's understanding that he would complete his work and issue the required financial statements. If there were any questions about the financial position, the accountant assumed that the owner, Mr. A., would contact him. But Mr. A. never questioned the figures. In fact, he was simply too proud to admit that he did not understand his own financial statements.

This dubious relationship began to unravel during an Internal Revenue Service audit. As it turned out, the accountant had been keeping records based on cash receipts and canceled checks, while Mr.

EMERY TONCRÉ *is president of Emery Toncré & Associates, Inc., a management and tax consulting firm in Whippany, N.J.*



Being impatient and underestimating the complexity of problems often lead to failure to plan properly. And that is likely to lead to failure of the enterprise.

A. had been keeping another set of crude accounting records that were understandable to him. What both accountant and owner had thought was a reasonably profitable and trouble-free operation turned out to be a nightmare of confusion. The business was closed, with final disposition of assets going to IRS and the state to satisfy delinquent taxes.

Blinders. Some small business owners are so egotistical about their ability to resolve problems that they tune out anyone who attempts to help them. Such owners have little respect for professional assistance and little regard for governmental agencies. These individuals are doomed to fail before they begin. Their shortsightedness often hinders them from recognizing promising opportunities for further profitable growth.

The ability to learn, listen, analyze and act is essential for survival. Let's take Mr. C. He was aggressive enough for two business owners and far more self-assured than most. It was hopeless to discuss his problems. Sometimes he would listen and then continue to make the same mistakes. Most of the time, he preferred not to listen at all. That was particularly true of tax matters.

Once again, IRS finally settled things. After threatening some IRS agents, Mr. C. was arrested and put in jail. His records were confiscated and audited, and the intent to defraud the government was proven, evidenced by falsification of tax returns. Mr. C. is currently the guest of the government at a federal penitentiary.

Playing games with IRS. Small business owners offer a variety of excuses for evading taxes. Some tell you it is necessary to cheat in order to stay in business. And many have found themselves forced to deal with other owners who conduct their business in unethical ways.

What does all this have to do with business failure? Isn't an entrepreneur supposed to take risks? Of course. But prudent risks are not risks that lead to business failure through fraudulent tax returns.

Many business owners are operating under the serious misconception that their chances of being caught are too insignificant to worry about. The answer to someone who holds this simple-minded belief is quite clear: If you must cheat in order to run a profitable operation, you are not practicing sound management techniques that generate long-term success and profits.

Family borrowing. Small business owners frequently begin their operations by borrowing money from family members. Doing so offers an easy way to acquire working capital at interest rates lower than those charged by commercial lenders. When a problem arises, it is usually the result of failing to keep business matters separated from family matters.

I recall a client who was encouraged to borrow money from his wife's uncle. My client had the uncle's personal promise that the money was his as long as he needed it. Any suggestions I made that the loan be covered by a written agreement were considered in bad taste.

Three months after the business began, the uncle was on the phone twice a day, and differences over how best to operate the business became a sore point. One day the uncle precipitously withdrew his money, which resulted in the closing of the operation and ultimately my client's divorce from his wife.



The owner who panics in time of trouble has more to fear than he may realize.

The moral: Don't mix family and business without a written agreement between you and family members.

Panicking without reason. Almost any business owner can be successful when everything is running smoothly, but the true test of an owner's competence occurs when the business encounters troubled waters.

A business owner who approaches each problem with common sense resolves problems in a more satisfactory way than the owner who panics. At one time, I was retained by a client who could not cope with the ordinary ups and downs of his business. Each time it took a downward tack he overreacted. Once he was so desperate to reduce his costs that he held back paying his bills, fired experienced people and stopped ordering merchandise for resale.

Attempts to persuade him to analyze each problem on its own merits were ignored. Within a short time, his panic-stricken attitudes hardened, and he began to feel that everyone was out to undermine his efforts. He could no longer tell an opportunity from an entrapment. Finally, he closed his doors in total frustration, never fully understanding why he had not succeeded.

Getting something for nothing. Some business owners believe it is possible to get something for nothing, and they are easy targets for unscrupulous acts by others. A client of mine operated a machine shop structured as a corporation with three shareholders—two active ones, including himself, and an inactive one. The inactive shareholder had lent the corporation considerable funds, but there was no written agreement regarding the terms of the loan. I urged reaching some arrangement about the payback period, but the two active shareholders, assured by the inactive shareholder that there was no need to worry about the debt, disregarded this advice.

Finally, the inevitable happened. The inactive shareholder demanded immediate payment. Though the firm had been operating profitably, there was no way for the active partners to meet the demand. It took the inactive shareholder only two months to take over the operation. The others were forced to sell their stock at a price set by the lender.

Going bankrupt. As a matter of principle, bankruptcy should never be considered as a way to solve business problems. It is the last resort after exhausting all other remedies.

Businesses court bankruptcy by overextending their credit to the point where they cannot pay ordinary operating expenses. Debt piles on debt until the business has no choice but to file for bankruptcy. In many cases there is no doubt that high interest rates contributed to the problem, but other signals of impending disaster are often equally clear—a cash projection may have underestimated the market, or too-rapid expansion may have caused the business to grow beyond the availability of working capital.

It is sometimes easy to blame business failures on community problems, such as high interest rates. But how does one account for the fact that other small businesses, faced with the same problems, manage to survive?

Could it be that other business owners have nipped the problems with effective tools, such as proper cash control and market surveys, before those problems became unmanageable? □

Reprinted by permission from The Action-Step Plan to Owning & Operating a Successful Business, *by Emery Toncré, © 1983 by Prentice-Hall, Inc., Englewood Cliffs, N.J.*

To order reprints of this article, see page 63.

He Collects When Others Can't

By Sharon Nelton

PHOTO: GARY KIEFFER



"Firm but not unfriendly" is Daniel Silver's approach to business debtors. "We are mindful of their problems."

THE COMMERCIAL debt collection business is an important economic indicator, Daniel K. Silver believes.

"As the economy turns upward, our business turns downward," explains the 43-year-old president of Bruhnke & Silver, one of the country's largest commercial collection agencies.

With all the talk of economic recovery, Silver expected his business to drop substantially this year. Instead, his firm's first quarter was up 6 percent over the last quarter of 1982. Industry-wide figures show a similar trend.

What does this mean? "Possibly that the economy is not improving as fast as we might have expected," Silver answers.

Commercial collection is not to be confused with retail (consumer) collection. The two are as different "as a house painter is from an artist," says Silver. Consumer collectors deal with individuals whereas commercial collectors handle claims that companies file against other firms. "Sophisticated debtors," Silver calls them.

Bruhnke & Silver was founded in 1924 in Chicago—"on a handshake," Silver says—by his father, Barnett Louis Silver, and August C. Bruhnke. Within a year, the firm boasted two additional offices—one in New York City and another in the Los Angeles area.

Young Daniel entered the business in 1962, after he had graduated from Middlebury College in Vermont. His father had died the year before. Silver doubled the number of offices when he took over the company in the mid-1970s after Bruhnke died.

Now headquartered in New York, the firm serves annually 6,000 to 8,000 companies, principally manufacturers of hard goods. It handles about 50,000 claims totaling $100 million a year, Silver says. (Nearly $2 billion will be placed for collection throughout the country this year, according to an industry spokesman.)

Silver has added offices in San Francisco, San Antonio and Worcester, Mass., and has retained the company tradition of the "traveling collector." When phone calls and letters fail to bring in payment of a debt, the firm sends one of its field people to collect in person, if the claim is $2,500 or more.

In the largest claim Bruhnke & Silver collected, the collector walked out the door with a check for $180,000 on a debt of $280,000, and the balance was paid within 60 days.

Even if a debtor will not cooperate, Silver says, having someone on the premises enables the agency to "use our eyes and senses to see what kind of shape the debtor is in." If the place is a mess and the debt appears uncollectible, the collector can still get a good idea of what assets the debtor has.

SILVER IS enthusiastic about an innovative pricing system he introduced in 1975. He says its use in his firm is growing rapidly. In fact, he is surprised so few other agencies have adopted the idea.

It is common throughout the industry for a collection firm to work on a contingency basis, receiving a percentage of what it collects—often 25 percent on the first $2,000 and 20 percent thereafter. But a Bruhnke & Silver client can choose to pay a nonrefundable $395 up front for each claim filed. Then the client pays 12.5 percent on the first $20,000 and 7.5 percent of any amount over that.

On a $10,000 collection, for example, the client would pay the agency $2,100 under the standard system, but only $1,645 under the second schedule ($395 fee plus 12.5 percent of the collection—$1,250) for a saving of $455. Client savings become "enormous," Silver says, for claims over $20,000.
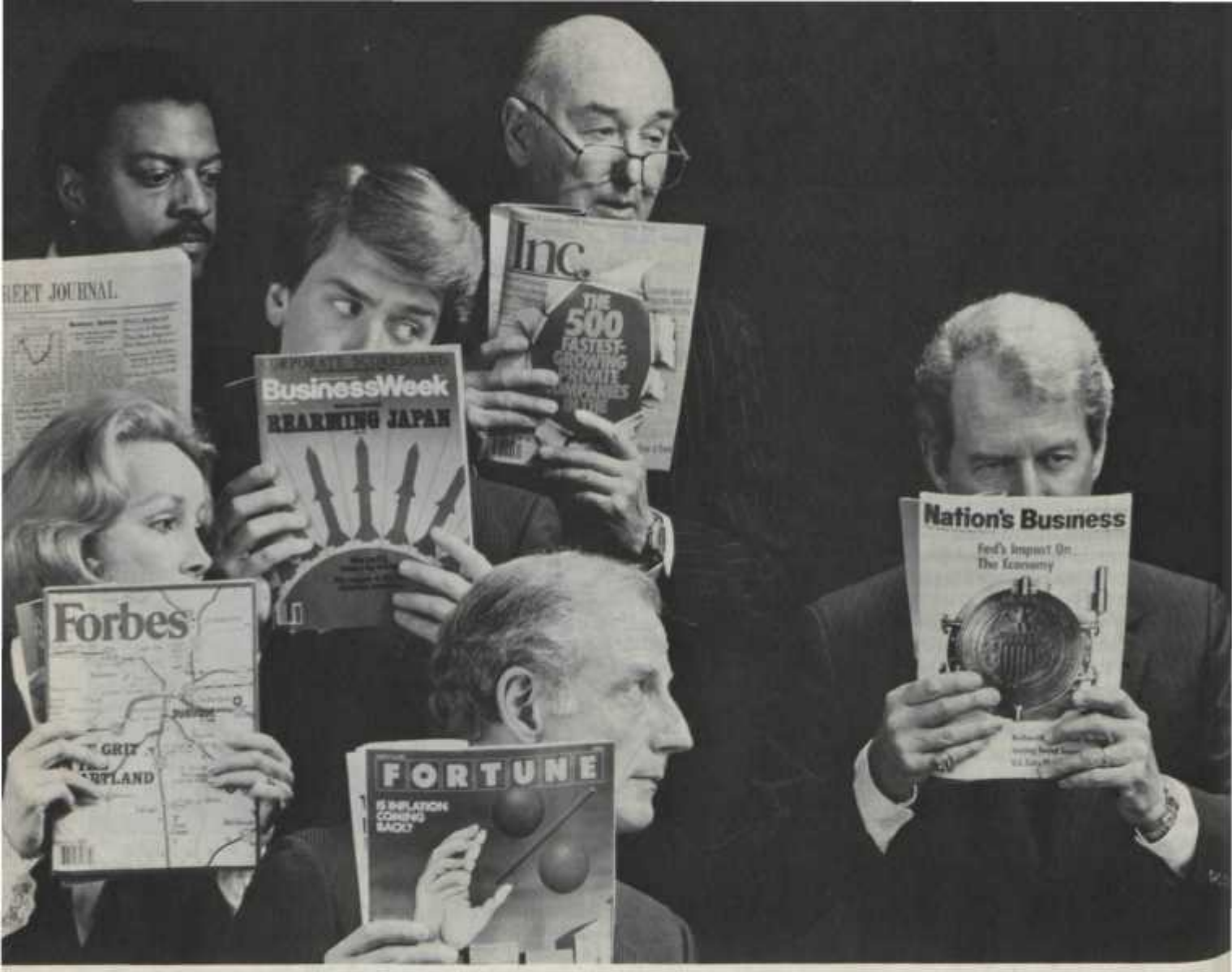
Under the standard fee system, Silver observes, agencies waste a lot of time trying to collect claims that are not collectible—and they are not paid if they don't collect. He contends that most of the time, a creditor knows when a debt is not collectible—the debtor's telephone has been disconnected or he has moved and left no forwarding address. But the creditor will place the debt for collection just the same, expecting to gain documentation that will satisfy the Internal Revenue Service that the debt can be written off.

The noncontingency fee assures an agency that a "claim has life in it, because no creditor will pay $395 for the privilege of trying to collect an uncollectible claim," Silver says.

Why turn to a collection agency? According to Silver, creditors seek outside help when they have exhausted their own procedures—letters to the debtor, phone calls, a visit from the salesman. Most creditors, he notes, do not have enough of a bad-debt problem to warrant a large credit staff.

Silver says 95 percent of business debtors are honest; they have just fallen on hard times.

That other 5 percent is a core of hardened "professional debtors" who move from one insolvent business to another, covering their tracks as they go. Silver warns creditors that it is not worthwhile to pursue such people. As he puts it, "If the debtor is dishonest, we are not going to collect the claim. It is that simple." □



Business Journalism vs. Business Intelligence

Many publications report the business news. But only one goes one step farther and gives you vital business intelligence, the kind of information that is easy to understand, practical, immediately useful in the day-to-day operation of your business. That publication is *Nation's Business*.

We are published by the U.S. Chamber of Commerce, the most powerful business voice in the world. We have more than 150 experts on our staff who constantly monitor all the government issues facing business: high taxes, excessive regulations, runaway federal spending, trade controls. We probe Washington for the inside information you'll find nowhere else in the business press.

Our readers are top management people, executives who need to be ahead of what is happening in business and government. For them, *Nation's Business* is a must-read. They know we're on their side—we're the Business Advocate magazine.

If you want more than just the business news, you should be reading *Nation's Business*. It's the only source of vital business intelligence.

Subscribe today. Call Toll Free 800-228-5666.

The Business Advocate Magazine

Nation's Business

A U.S. Chamber of Commerce Publication

Survival Kit for Business

PHOTO: D'LITES OF AMERICA



Working behind the counter enables him to demonstrate speed and quality standards, says entrepreneur Douglas N. Sheley, whose stores specialize in nutritious fast food.

Fast Food for The Diet-Conscious

At a D'Lites of America restaurant in Atlanta, a quarter-pound hamburger on a sesame-seed bun contains 150 fewer calories than at most other places. D'Lites is to the fast-food business what "light" beer and wine are to the liquor industry.

D'Lites, the brainchild of Douglas N. Sheley, offers customers their old fast-food favorites, but with some of the calories and cholesterol taken out and extra nutrition put in.

The colorful D'Lites menu details the nutritional content of all the items it lists. And, it points out, a typical fast-food meal of quarter-pound cheeseburger, French fries and soft drink has 1,066 calories. The comparable D'Lites meal, with a cheeseburger on a high-fiber bun, baked potato and sugar-free drink, has 498.

D'Lites uses low-cal cheese, mayonnaise and salad dressings, 97 percent lean ham and ground beef with a fat content of 20 percent instead of the 24 to 29 percent common in fast-food chains. "We took out as much fat as we could without changing the taste," says Sheley, 36, the firm's chairman. Customers can still get fries and regular dressings and soft drinks, but Sheley wants them to have the choice of "more reasonable calories."

Sheley is pushing for 1,000 D'Lites across the country within 10 years. The firm has so far opened two restaurants in its headquarters city (the first in 1981), and two others are planned. Franchises have been let on 115 restaurants in 14 cities. Sheley's brother Darrel will open the first in Tampa.

Sheley describes the existing restaurants as "very profitable," each earning about 20 percent on an annual sales volume of $1 million. The firm recently received $2.3 million in venture capital in exchange for 32 percent of its stock. The funds will be used for further expansion in Atlanta.

Maybe Sheley was destined to sell healthful fast food. Just out of college, the Ohio native became part owner and operator of three health clubs. After they were sold to a national chain in 1975, he scouted around for a franchise and decided on Wendy's.

He obtained the East Tennessee franchise and soon expanded his holdings to 18 restaurants, involving his whole family as he did so. Brother David took on operations with the assistance of brother Don; Darrel set up the management training program, and Sheley lured his parents from Ohio to Knoxville so that his father could be in charge of maintenance.

During that period Sheley became aware that nutrition was becoming a more important factor in what people chose to eat. He decided that if a fast-food chain positioned itself as one that emphasized nutrition, it could "take on the giants like McDonald's, Wendy's and Burger King."

Sheley sold his Wendy's units to David—"The deal I made with my brother is that I would not build a D'Lites in East Tennessee as long as he has the Wendy's franchise"—and spent much of the next four years and $400,000 bringing D'Lites to life.

Two or three times a week, you will find Sheley working behind the counter at one of the Atlanta restaurants during its peak period. He has employes who are 18 to 21 years old, and he says that "if I am in there knocking myself out," they will be willing to work a little harder.

"I want to be sure that I lead through exemplification rather than dictation," he adds. "I try to set the example in everything I do."

Turning a Cost Item Into a Profit Center

E.T. has made his imprint even on the transportation industry, thanks to a 3-year-old firm called Distribution Concepts International.

DCI, a transportation consulting firm based in the Los Angeles suburb of Chatsworth, arranged shipment of 2.5 million E.T. dolls during the height of the little extraterrestrial's popularity last year.

It was a tough assignment, because when DCI's client, Kamar International, Inc., obtained the rights to produce and market the doll, the Christmas selling season was fast approaching. DCI moved the dolls by air from manufacturing points in the Far East to U.S. consignees, tapping Flying Tigers as the main carrier, and saved Kamar at least 15 percent in airfreight costs. Worldwide, DCI has shipped 5 million of the dolls.

Since then DCI President Gary R.

PHOTO: DISTRIBUTION CONCEPTS INTERNATIONAL



Transport consultant Gary Galloway moved 5 million E.T. dolls worldwide in short order. Flying Tigers was the main carrier.

Galloway has gone on to other endeavors, such as lining up clients who may need goods transported to and from next year's Olympic Games in Los Angeles. Galloway, 41, says he hopes to handle everything "from pole vaults to shoes to balloons."

Behind the razzle-dazzle of the Olympics and the glamour of an interplanetary movie star is a solid business approach. Galloway, who had 15 years of experience in transportation before he founded DCI, teaches his clients to use transportation to improve the bottom line. In fact, his initial approach to potential clients, he says, is "to capture the attention of the chief financial officer of a company."

Transportation departments are usually thought of as cost centers, he observes. But DCI, which has seven employes and annual sales of about $500,000, works with clients not only to cut costs but to turn those departments into profit centers. For example, a manufacturer can show a transportation profit by negotiating a rate with a carrier that is lower than the transportation charges billed to customers.

DCI doesn't stop at advising a client what to do; it will implement the plan as well. Because it represents 26 ongoing clients whose annual transportation costs total $50 million, DCI can use their collective strength to negotiate lower rates from carriers for all its clients.

SC2—the Southern California Shippers Consortium, a DCI spin-off that is also headed by Galloway—uses the same principle of leverage in negotiating on behalf of 35 small and medium-sized companies. The original idea was to give the shippers a chance at lower rates for overnight package airfreight, but SC2 is expanding to all modes of transportation. Galloway expects to start US2—United States Unified Shippers—later this year.

Although DCI has worked with giants—Getty Oil, for example, and MCA, Inc., the entertainment conglomerate—Galloway says he looks for companies that do not have a traffic department, "companies that really need our traffic management expertise."

Winning over that top financial officer is the key, however, because he is the person who can make things happen. "What we do," Galloway says, "is bring the transportation issue to a higher level within the company and point out that transportation and distribution are very important elements in daily business activities."

PHOTO: DAVID WALKER



Recruiters like Computer Data System's Lois Sylver (right) use specialized job fairs created by Bill Aberman (left) to find experienced high-tech employes.

Matchmakers For High Technology

What would you do if your college student son said he would like to go into business with you but did not like the business you were in because its future was not so bright? What A.W. "Bill" Aberman did was watch. Aberman, a textile manufacturer's representative, watched his son, David, try to find a job. David traveled from one end of their home city, Minneapolis, to another to answer help-wanted ads. It was an arduous, time-consuming process.

"It suddenly hit me," Aberman says. What if he put all those employers under one roof to make it easier to match jobs with the right job hunters?

Aberman, 57, and David, 25, are in business together now. Aberman's idea turned into Minneapolis-based Business People, Inc., sponsor of Technical Career Job Fairs in cities across the country. Now five years old, the firm has 12 employes and expects a sales volume of $2 million this year. Bill Aberman, sole owner and president, concentrates on new development and finance. David, executive vice president, handles internal operations. Of the father-son business relationship, Aberman says, "I highly recommend it for anybody."

BPI is not an employment agency. Aberman calls it instead a catalyst between high-technology companies looking for employes and potential employes seeking jobs. "We provide an environment for them to get together," Aberman says. "Then they do their own thing."

The fairs are two-day open houses, usually held in hotels. BPI will conduct 30 fairs in 15 cities this year. Participating firms pay only for booth space—a single booth at one fair runs $2,450. The job seekers pay nothing. Most, Aberman explains, are already working for somebody else, often at very good jobs. A fair gives them an opportunity to look at the job market without having to answer an ad or go to an agency.

When BPI started, its fairs covered nontechnical fields as well. As the economy deteriorated, Aberman recalls, a company looking for nontechnical people could put an ad in the paper and be swamped with applicants. Not so with the high-tech field. "It is the one industry that has a higher demand than supply," says Aberman. So the firm focused its fairs only on high technology, and that is where it will stay.

BPI has a core of 300 regular clients—Texas Instruments, McDonnell Douglas, Rockwell International and Eastman Kodak among them. Most are seeking experienced people like highly trained engineers and computer programers.

Aberman estimates that companies hire three to seven people per booth at each fair. Even if a firm makes only one hire, he says, it is "probably way ahead of the game" because a company's costs for hiring one employe obtained through regular channels can run $3,000 to $7,000.

However, Aberman says a company should not discard its regular channels for hiring, such as search firms, employment agencies and advertising. "Our service supplements other services," he says. "We are an excellent cost-saving adjunct to all those efforts." □



CONGRESSIONAL ALERT

Issues That Could Affect *Your* Business

. . . and what you can do about them

This NATION'S BUSINESS feature advises readers how they can make their views known on important pending legislation. Correspondence to members and committees of Congress can be sent either c/o U.S. Senate, Washington, D.C. 20510 or U.S. House of Representatives, Washington, D.C. 20515.

Issue	Potential Impact On Business	Contact And Business Message
Fiscal 1984 Budget/Taxes	Congressional budget resolution is likely to recommend higher taxes, higher domestic spending, resulting in bigger deficits and increased pressure on interest rates.	Members of the House and Senate: Oppose tax increases and reduce the level of federal spending; don't cap third-year tax cut; maintain indexing provisions.
Hazardous Wastes	Legislation could lead to increased costs and increased paper work burden for small business; enactment could hinder business without benefit to the environment.	Members of the House and Senate: Support careful study of small business waste management; require education program to help small business comply with environmental laws.
Immigration	Drastic increase in paper work for small business would be result if conference committee adopts Senate-passed legislation.	Senate Judiciary Committee: Support House-passed language to adopt a sensible immigration policy without undue paper work requirements.
Appropriations	The combined amount in the 13 individual appropriation bills will determine government spending and therefore deficit for fiscal 1984, affecting interest rates.	Members of the House and Senate: Don't cut short the economic recovery by inflating appropriation bills; don't spend money you don't have.
Natural Gas Deregulation	Current law prevents prices from coming down despite natural gas surplus; deregulation would bring lowest price with adequate supplies.	Senators, House Energy and Commerce Committee: Support attempts to deregulate all prices and supplies of natural gas by a fixed date.
Export Administration Act	Passage would result in millions of dollars in new exports, significant increase in new domestic jobs, improved reputation as reliable trading partner.	Members of the House and Senate: Loosen controls on items freely available from non-American sources, sharpen focus on militarily significant items.
International Monetary Fund	IMF funding of developing nations will eventually sustain our own economic recovery through increased export sales to these new markets.	Members of the House: Support full funding for the IMF at the level requested by the Reagan administration; IMF funding translates into American jobs.

Political Lessons From the Old World

POLITICAL DEVELOPMENTS on both sides of the English Channel provide some significant lessons for Americans, now in the preliminary stages of their next national election.

In Great Britain, Margaret Thatcher won a sweeping re-election victory on the basis of her own record and the inability of her opponents to provide an acceptable alternative. Though the two opposition parties proposed taking the nation further down the road toward socialism, Mrs. Thatcher viewed that course as a threat to national survival and promised to continue her efforts to reverse direction.

Across the channel in France, Socialist President François Mitterrand has implemented many of the policies advocated by the British Labor Party, including expanded nationalization of industry and higher taxes. The Mitterrand government's policies have alienated virtually all segments of French society, to the point that intensifying demonstrations against his government have raised fears of serious civil strife.

On the one hand, a national leader urging market solutions to economic problems has won a major election victory; on the other, a leader offering more government intervention and spending is in serious trouble.

American politicians can ponder that juxtaposition as they prepare for their own testing next year.

Women Wouldn't Win With Unisex Insurance

IT IS UNFORTUNATE that advocates of unisex insurance legislation are trying to cast it as a civil rights issue. It is no such thing.

The basis on which insurance and annuity premiums are set involves such criteria as life spans and accident rates, both statistically sound benchmarks not susceptible to distortion by discrimination or other outside factors.

Major bills pending in Congress on the determination of insurance rates would prohibit use of gender as a consideration. The legislation stems from complaints of some women's groups that taking sex into account in determining annuity payments was discriminatory. Under some plans, women who have contributed the same amount as men toward retirement receive a smaller monthly check, on the actuarial basis that they will live longer and eventually collect as much or more than men.

The insurance industry has pointed out that women's longer life spans also earn them lower life insurance rates and that their safer driving records entitle them to cheaper auto insurance.

A unisex approach would raise premiums substantially for both women and men, with women the bigger losers.

That surely doesn't sound like a change that would advance women's civil rights.

This Year Is Also A Bicentennial

THE PROMINENCE given the bicentennial of the Declaration of Independence emphasized the special place that the year 1776 holds in the American historical consciousness.

But the declaration was just that—a statement of purpose—and the colonists still faced the challenge of making it stick. That took years of war, crushing defeats, times when it appeared that the American cause was lost, before the eventual victory.

Even the surrender of Cornwallis at Yorktown in 1781 was not considered conclusive at the time. Great Britain continued to hold New York, and the possibility of more major battles was considered very real.

The promise of 1776 was not fully redeemed until the formal signing of the peace treaty in 1783, which marked the official end of hostilities and the formal entry of the United States into the family of nations.

When it comes to bicentennials, 1983 is worth some attention, also. □



Fuel Pincher equipped trucks are getting 90% to 98% more MPG in delivery type applications than the same trucks with gasoline power.

When you can get almost double the mileage with an 8.2L Fuel Pincher Diesel, it just makes good sense to specify one for your next medium-duty truck.

But great fuel economy is only one of the advantages in stepping up to the Fuel Pincher Diesel. The Fuel Pincher offers easy starting and performs much like a gasoline engine. And it was designed from the block up to be a rugged truck diesel.

Recently, our engineers disassembled two Fuel Pinchers that had logged over 300,000 miles each. They found most major moving components to still be within new engine specifications. Now, that's not a guarantee for every Fuel Pincher, but it is a strong indication of its diesel durability.

Fuel Pinchers are designed for trucks up to 50,000 lbs. GVW, and available in power ratings of 130, 156, 165 and 205 horsepower to fit a wide variety of applications.

So tell your dealer you want the affordable, efficient, and tough Fuel Pincher Diesel in your next medium-duty truck. Or write us for more information: Detroit Diesel Allison, P.O. Box 81, Birmingham, Michigan 48012.

The Fuel Pincher Diesel

Available in Chevrolet, Ford and GMC medium-duty trucks.

EXCELLENCE BY DESIGN.



Function isn't enough for us. At the General Motors Design Center, our job is to ensure that beauty and excitement are part of the value of our cars.

Freedom to create.

So we provide our designers and engineers with facilities, equipment and the latest technology. But most of all, we allow them freedom. To think, to reject old ideas and to come up with better ones.

Beyond the possible.

Freedom means we can look beyond the bounds of what's possible today. Right now, for example, we're working with voice-actuated controls and computerized navigation systems, with speed-variable attitude adjustment, column-centered electronic instrumentation and aerodynamic body skins.

Sleek as the wind.

Aerodynamics has become an increasingly important design factor. And it's also an excellent example of what the resources of General Motors can do when they're committed to the solution of a problem. We're the only car company with a full-scale automotive aerodynamic wind tunnel of our own in the USA. That means we can conduct extensive testing of every new design from concept model to final production car. As a result, GM has been able to build more kinds of aerodynamically efficient cars and trucks than anyone else in the world. In fact, the U.S. production car with the lowest coefficient of drag today is the Pontiac TransAm.



And in the process of designing aerodynamically efficient cars, we've also developed the General Motors look you'll recognize—a look of sleek, well-proportioned beauty.

Productive tension.

There's a restless energy in the Design Center. A sense of challenge, of being on the edge of knowledge, of attacking the unknown.

We work with the understanding that a breakthrough idea can come at any time and from anyone. We're living up to our commitment. Right now, today, we're the best GM ever.

GM
MARK OF EXCELLENCE

Chevrolet
Pontiac
Oldsmobile
Buick
Cadillac
GMC Truck



Let's get it together. Buckle up.

The GM Aero 2002 is a 4-passenger concept vehicle with a drag coefficient of .14, the lowest for any car tested by General Motors.

WE'RE THE BEST GM EVER